

# Fifth International

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## FROM MAO TO THE MARKET



**How the Chinese Communist Party brought back the capitalists**

### IN THIS ISSUE

- Marx versus Bakunin
- France: what will it take to beat Sarkozy?
- Bangladesh: the end of the old order
- Women and the Russian Revolution
- What is causing the global credit crunch?
- The crisis in Respect



Volume 2, Issue 4



# Fifth International

Volume 2, Issue 4, October 2007



## In this issue

<b>Editorial</b>	<b>2</b>
<b>France: what will it take to beat Sarkozy?</b> <i>Marc Lasalle</i>	<b>4</b>
<b>Bangladesh: the old order collapses</b> <i>Simon Hardy</i>	<b>7</b>
<b>Respect's crisis is opportunity for new workers party</b> <i>Luke Cooper and Dave Stockton</i>	<b>10</b>
<b>Global credit crunch - toward a crisis of globalisation?</b> <i>Richard Brenner</i>	<b>15</b>
<b>From Mao to the market</b> <b>How the Chinese Communist Party brought back the capitalists</b> <i>Peter Main</i>	<b>21</b>
<b>How can we be free?</b> <b>The meaning of Karl Marx's struggle with Mikhail Bakunin</b> <i>Jeremy Dewar</i>	<b>36</b>
<b>Women's liberation and the Russian revolution</b> <i>Nat Sedley</i>	<b>52</b>
<b>Review - Material Girls by Lyndsey German</b> <i>Joy Macready</i>	<b>57</b>

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# Editorial

Events since the last issue of Fifth International appeared in May have more than confirmed our perspective of a world in deepening social crisis. As we go to press, huge demonstrations led by Buddhist monks are taking place in Myanmar (Burma). Simon Hardy reports on how Bangladesh has joined Pakistan in the growing list of countries convulsed by mass demonstrations with great revolutionary potentialities. South Asia is rapidly catching up with Latin America, which has, since the prolonged revolutionary situation in Argentina at the beginning of the decade, been the continent with the highest levels of class struggle.

In the last months we have seen intensified confrontations between left and right in Bolivia, whilst in Venezuela Hugo Chavez is not only founding a new party, several millions strong, to promote the "transition to socialism" but is calling for a new International to be founded in 2008. One does not have to take any of these claims at face value to realise that putting questions, such as socialist revolution, the party and the International, on the agenda of millions is a radical change compared with the decade that followed the downfall of "communism" in 1989-91.

In Europe too, there have been important developments. The League for the Fifth International intervened into the successful anti-G8 mobilisations in Rostock in June, where the militant forces of the youth, the racially oppressed and the trade union rank and file took on the forces of the German state, and significantly outnumbered those attracted to the reformist counter-conference convened by Attac and *Die Linke*.

Now the election of Nicolas Sarkozy signals a concerted attempt by the French bourgeoisie to break the resistance of the most militant working class in Europe. In this issue, Marc Lasalle looks at the struggles ahead and asks whether the French working

class can form a new party capable of defeating the "French Thatcher".

In Britain meanwhile, against the background of a surge of popularity for the new Labour leader Gordon Brown, Respect the populist coalition set up by George Galloway MP and the Socialist Workers Party is in deep trouble, with the latter accusing Galloway of muslim communalism. Luke Cooper and Dave Stockton show that these contradictions were built into the project from the outset and that the British section of the League for the Fifth International warned repeatedly of this.

We have several times observed that the upheavals of the last few years have been taking place despite the background being that of mid-decade cyclical boom. In this issue Richard Brenner looks at the mid-summer credit crunch, which put British and French banks into trouble, and forced the US Federal Reserve and the Bank of England to precipitately abandon their counter-inflationary policy, cut interest rates and pour money into the banking system. The Pollyanna optimism of the financial journalists has given way to dark speculations as to whether the subprime mortgage crisis will trigger a recession in the USA, and what effects this will have in Europe and the east Asia.

Indeed, for the last seventeen years or so, two cycles of recession and recovery, the USA and Britain in particular have been cushioned by massive deficit spending underpinned by the effects of the restoration of capitalism in China. In this issue Peter Main looks at how the Chinese Communist Party – whilst maintaining its iron dictatorship – brought back the bourgeoisie. He shows too that as ever capitalism is assembling its gravedigger, a new millions-strong working class, alongside an angry expropriated peasantry. Sooner rather than later this will lead to an explosive political and economic crisis. The question is whether and to what degree a recession,

whether starting in America or China, sharply reverses the "virtuous circle", which has hitherto fuelled the soar away boom in China, and ensured a "soft landing" for the last US recession. If "vicious" replaces "virtuous", then we could be facing a general crisis of globalisation, with all its attendant revolutionary possibilities.

This issue also contains a major analysis by Jeremy Dewar of the period when Marxism and Anarchism became competing influences in the international movement of the working class. He shows that the debates between Karl Marx and Mikhail Bakunin still have enormous relevance for today, where questions, such as whether to take power, whether political parties are necessary, whether democratically centralised planning or small scale cooperatives and communes are the answer to market madness, are still being discussed in the anticapitalist movement and the popular uprisings in Latin America and beyond.

This issue also takes up various aspects of the struggle for women's liberation. In celebration of the 90th anniversary of the Russian Revolution, Natalie Sedley recounts the inspiring history and achievements of women before, during and after October 1917, and draws lessons for today. Also Joy Macready reviews *Material Girls* by SWP leader Lindsey German, showing how her party's economism leads to an inadequate programme for women's liberation. She points to a serious flaw in German's attitude to black, Asian and immigrant women, due to her near exclusive focus on, and indeed adaptation to, "the muslim community" leaders, rather than to muslim women fighting back against their oppression as well as racism. She shows too that the SWP fails to build the types of organisation, particularly a working class women's movement, needed to fight, alongside a revolutionary party, for women's liberation.



# What will it take to beat Sarkozy?

By Marc Lasalle

Since his election on the 6 May President Nicolas Sarkozy has lost little time. In July he rushed an "emergency" fiscal package through a compliant parliament. It was a gigantic pay off to the rich, involving the virtual abolition of inheritance tax and the reduction of the top rate of income tax to 50%. These measures cost the treasury some 13 billion and benefit only - 120 000 French families (out of a total population of some 58 million).

For the working class however, confronted with stagnation of their wages and salaries and a generalised rise in prices, these measures amount to a massive robbery.

The shortfall in state revenues caused by this pay out to the rich will be covered by a so-called "social VAT", a regressive tax on goods and services. This will be another massive handout to the bosses, shifting the cost of public onto workers and the lower middle class.

Under the cynical slogan "work longer for more pay" the 35-hour week is to be "flexibilised." Sarkozy uses this slogan because many private sector workers resented the old 35 hour week labour legislation introduced by the Socialist Party. It was not "35 hours with no loss of pay or conditions. The quid pro quo given to the employers was lower wages and the "flexibility" to alter shift patterns and holidays - hitting workers free time. Thus hit private sector workers hardest and made them vulnerable to Sarkozy's promise to "let them earn more for longer hours." Sarkozy obviously wants employers to close the gap with the Anglo-Saxon model in this respect too.

In addition Sarkozy is about to attack the pensions system. "The system is financially unsustainable," he said in his first major policy speech to the Senate. "It discourages work ... and does not ensure equal opportunities."

Sarkozy's plan is to drive a wedge

between private and public sector workers on this issue.

Public sector workers are 10 per cent of the total workforce and are located in unionised sectors such as the railway system and electricity and gas utilities. Their militant history of class struggle has won important concessions from state employers and on pensions they have special schemes. In the case of the rail workers this allows for retirement at 50 whereas for most workers the age is 60.

Another major attack is planned on the healthcare system. Health insurance expenditures will be reduced through tighter controls on doctors, higher amounts that patients themselves must pay before insurance cover starts (franchises médicales) and greater private funding for medical care.

In an attack on the unemployed and the low paid, management of unemployment funds is being turned over to the unemployment agencies, anyone who rejects two job offers will be financially sanctioned and protection against dismissal will be weakened. The monthly minimum wage (SMIC), presently at 1,280 (£894) will be disconnected from the consumer price index and subject to an independent commission.

Sarkozy has also announced his intention to introduce a 'single work contract.' This is an even harsher measure than the CPE (First Employment Contract) that was defeated by the direct action of workers and youth last year. This would give employers greater flexibility in hiring and firing. Its aim is to get rid of "jobs for life" by removing job protection and social rights for the first years of employment. This will mean that employers can "let workers go" as they approach this time limit, thus freeing them up to hire newer workers who are not covered by social securities, précarité, (irregular, low paid and insecure employment), which has been the subject of much debate and conflict over the last decade.

## AUSTERITY AND PRIVATISATION

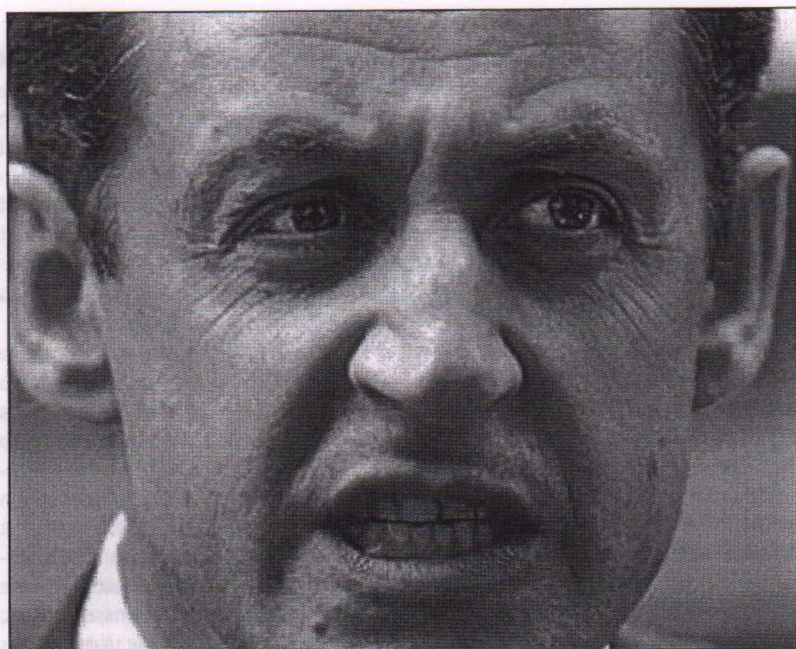
Economy and Finance Minister Christine Lagarde has bluntly called for "an austerity plan for the public sector." She has announced that the government will carry out a series of cuts in its workforce, starting with one third of retirees not being replaced in 2008. This means at least 22,800 jobs will not be replaced and public education is likely to be the biggest loser, with 11,200 jobs lost. Lagarde added: "In 2009, we will reach our objective of not replacing a half of retirees."

Sarkozy has also pressed ahead with his privatisation programme. The recently announced merger between Franco-Belgian private utility Suez and French public utility Gaz de France is a way of privatising the latter, creating a huge monopoly with a 35 percent stake for the French state. It will be the largest gas buyer and transporter, the fifth-largest electricity producer, and the largest importer and buyer of liquefied natural gas (LNG) in Europe.

Sarkozy's attacks taken together constitute a massive neoliberal assault on gains the working class has won over decades. Sarkozy wants to strategically lighten the French state's social commitments, leaving it free to concentrate on its core repressive functions (armed forces, police, courts, prisons...) and its core economic ones, promotion of French mega corporations, the 'national champions', against their international rivals.

But Sarkozy knows that economic measures are not enough to rob the French workers of their employment rights and social gains. To do this he needs to weaken and crush their organisations if he is not to suffer the humiliating defeats which have been a regular fate of right wing governments between 1995 and 2006 (the latest of which was the mass struggle by youth and trade unionists which sank the CPE).





Sarkozy is planning to smash the power of the French working class

Public transport workers, especially the rail workers or *cheminots*, have been the vanguard of the French union movement throughout this period. Sarkozy wants to defeat and shackle them, much as Margaret Thatcher did to the British miners in 1984.

On 2 August, the French National Assembly passed a new law requiring public transport workers to maintain a minimum level of service during industrial disputes. This includes running services when other workers are on their way to and from work. The law stipulates that transport staff must, on pain of legal sanctions, give 48 hours notice of their intention to strike and that after a week on strike management may organise a secret ballot on the continuation of the industrial action.

In Sarkozy's vision of neoliberal France the present weakness of the trade unions in the private sector is extended to the public sector; while the public services in health, education and provision for retirement will be reduced to a safety net. A more easily exploitable and cheaper labour force, a regressive taxation system and the selling off of parts of the public sector, benefit no one except the French rich. If Sarkozy succeeds it will not be long before France's social inequality rivals Britain and the United States. Lastly, it is not just the working class Sarkozy has in his sights, he proposes a vicious attack on the *sans papiers* (undocumented migrants). He is to increase deportation targets and intro-

duce language and DNA tests for relatives wishing to join their families resident in France.

### REFORMISM IN CRISIS

As Sarkozy launches his violent attacks the political and trade union leaders of the worker's movement seemed out for the count. We can leave aside the Socialist Party notables, scrambling for a few ministerial seats offered by Sarkozy and those engaging in the post-defeat infighting. The former will serve capitalism today as they served it yesterday when the SP was in power. The latter have nothing serious to propose to the workers except to wait for the next elections in 2012. The most combative of them point to the municipal elections next year as the first chance to mount a fightback!

Meanwhile, the leaders of the PCF remain stunned by an election result that rings the death knell of French Stalinism. They are now pre-occupied, quite literally, with saving the furnishings of their grand HQ in Place du Colonel Fabien, their parliamentary group and municipal councillors offices. After years of pampered parliamentarism the last thing they want is a return to class struggle. In short neither the Socialist Party or the Communist Party can be relied upon to organize a resistance movement and mobilise against the neoliberal onslaught.

As for the trade unions Bernard Thibault, the head of the 711,000-strong CGT union federation, said in an inter-

view with *The Sunday Telegraph* after Sarkozy's election:

"Do I think he wants to crush the unions? Yes, I do. Sarkozy's plan is comparable to Mrs Thatcher's. He will try to attack union rights, especially the right to strike, to make it easier to push through his policies." He added: "If he does what he said he would do, we could have a battle and strikes against his proposals."

Yet instead of rallying workers to resist CGT leaders have engaged in discussions with Sarkozy. They have gone so far as to say that the CGT was "not part of the resistance" to the new president, though warning there would be trouble if Sarkozy "proceeds by presenting us with a *fait accompli*." The leader of the CFDT chief François Chérèque was more conciliatory, after a tête-à-tête with Sarkozy in a posh Paris restaurant: "We cannot accept such a reform without dialogue and consultation" he said when Sarkozy reported that the union leader understood the need for "pension reform." The whole message of the union bureaucracy is that as long as Sarkozy negotiates "seriously" they will be willing to make a deal with him.

The unions have since discovered a harsh reality, during their discussions with the president and prime minister: no face saving deal is on offer, at least not one they could sell to their members. So they have started the process of one-day protests.

The first strike is due on Oct. 17 when five of the eight railway unions have called a day of action to defend the right to retire at 50. The unions said that the strike could even last for more than 24 hours if Sarkozy remained obdurate. Bruno Duchemin, head of one of the train driver unions, vowed that a strike would be "hard, long and strong." Unions representing employees in *Electricité de France* and *Gaz de France*, whose workers also enjoy early retirement schemes, are debating whether to join the strikes.

The struggle will undoubtedly be harder and more bitter than in 2005-06. But Sarkozy is not irresistible. Today even greater numbers - millions - are under attack than during the anti-CPE struggle. We can and we must mobilise these millions, uniting them in coordinations at local, regional, national level as we have done many times in recent years.

For all his bravado Sarkozy and the employers certainly fear the power of the mass strike wave, the huge demonstrations and the occupations of schools and



universities. That is precisely why they want to shackle the train drivers and cripple the right to strike. That is why we have to use these very weapons to stop all these "reforms" dead in their tracks. Behind-the-scenes negotiations between union leaders and Sarkozy or questions raised in the National Assembly, will not stop the government from bulldozing our rights. However, they can be used as an excuse to delay our fightback and demoralise sections of the working class and militant youth. We cannot rely on the union leaders, though we should demand that they take action now. But we also need to organise solidarity from below with every sector under attack, broaden the movement, transcend the limits of isolated days of actions and demonstrations. Our goal should be an all out and indefinite general strike aimed at smashing Sarkozy's plans and driving him from power.

## LCR CALLS FOR NEW PARTY

The French working class is facing an enormous crisis of leadership. Everybody on the left realises this. The PCF, staggering from its electoral disasters, is talking about the need to found a new party, hoping to attract refugees from the left wing of the Socialist Party. The altermondialists of Attac have not recovered from the damaging split of 2006. The paralysis of the reformists - Stalinist and Social Democratic - plus the pusillanimity of the leaderships of the main union federations, all demonstrate the urgency of creating a new combat party of the working class to face Sarkozy. This is where the forces of the far left have an enormous responsibility and opportunity.

In May 1.5 million workers and youth voted for Olivier Besancenot, the candidate of the Ligue communiste révolutionnaire (LCR), the French section of the Fourth International. They did so because he identified himself with the anti-CPE struggle, the uprising of the youth of the banlieues, the resistance of the sans papiers and workers facing privatisation and wage cuts. Besancenot and the LCR have also called for the foundation of a new party, based on all those "defending an anticapitalist programme in struggle and in elections, politically independent from the Socialist Party and refusing to manage the [governmental] institutions with it."

This call by the LCR is a certainly a pos-

itive step. They have promised to convene meetings in towns, workplaces, schools and universities, to debate the fight back against the new government and the need for a new party. After the LCR congress, a second phase is envisaged with general meetings in every region, building towards a national congress to found the new party. Members of the League for the Fifth International in France welcome this development. However, one of our core disagreements with the LCR is their tendency to see elections such as next year's municipal elections as a new parties' first big milestone.

No body can doubt that Sarkozy is determined to inflict a strategic defeat on the working class in the coming months, one which will, if he succeeds, impair its ability to fight back for years to come. If the LCR thinks there is time for a gradual building up of mass support through electoral work, plus acting as a ginger group in isolated 'days of action' led by the trade union bureaucracy, then they are sorely mistaken. The LCR's willingness to accept the demobilisation of waves of mass action to turn them into gains at the ballot box gives reason to fear they will persist in this fatal policy. They have systematically tailed the French Communist party and the trade unions leaders, refusing at crucial moments to advance the slogans necessary to defeat and drive out the right wing governments.

Two critical and related questions face the movement for a new party: what kind of party do we need and what programme does it need? To the first we must answer a combat party, formed in the thick of mass struggles against Sarkozy's attacks recruited amongst militant youth and workers. It needs to be clear from the outset this will necessitate a struggle against the reformist party and trade union leaders. It is also necessary to break the illusions many French workers still have, especially in the latter. We can do this only by placing clear demands on them to mobilise their own members for the action we need and organising the ranks and file to wage and control the struggle themselves. Our maxim should be "with the trade unions leaders wherever possible, without them wherever necessary".

All local organisations campaigning for new party must seek to give militant leadership to the all the anti-Sarkozy resistance not simply prepare for the municipal elections (though these

should be used as a tribune for the fight against Sarkozy). Last but not least the party we want must be one that is open and democratic, a party that draws a full balance sheet of reformism and its failures - that of the French Communist Party quite as much that of the Socialist Party. It must also be a party of internationalism, a party that sets out to build a new revolutionary Fifth International.

The LCR says the new party must be "anticapitalist." Good, we agree but do not agree with Olivier Besancenot's claim that it must not be Trotskyist. To say this is renounce the fight for a transitional programme within it - one which links the struggle against Sarkozy to the struggle for power via demands for workers control, workers inspection of the books of the big corporations and banks, a workers plan to meet the urgent needs of the unemployed, the homeless, the youth. The LCR says the new party must refuse on principle to govern in alliance with a Socialist Party committed to neoliberal measures. We agree but would add that we must also rule out participation in any government that rests on the bourgeois state apparatus - something the LCR has refused to do.

The apex of a programme of action for the new party must be the fight for a workers government, one which has the power to implement the immediate and historic goals of our class. This also means a struggle to break up the armed institutions of the bourgeois state that defend capitalism - the police, the CRS, the army and judiciary. This means the creation in the workplaces, the schools and colleges and banlieues, of a workers militia to defend ourselves against the armed attacks of the bourgeois state.

Our starting point must be the coordinations we need to build to defeat Sarkozy. We need to develop them into democratic councils of action with delegates in every workplace, school and university, co-ordinated on the regional and national level. We must fight not only to use such councils to launch an all out general strike to kick out Sarkozy but to lead a socialist revolution and act as the foundations of a new society. In short, we propose the new party be founded on a revolutionary programme. We propose this not as a precondition to exclude tens of thousands of militant but not yet consciously revolutionary workers and young people, put as a strategy to win them to.



# The old order collapses

By Simon Hardy

In mid September, Bangladeshi garment workers in Dhaka organised a 10,000 strong demonstration, in open defiance of the emergency laws, demanding higher wages and improved conditions of work. Garments are Bangladesh's biggest single export earner, accounting for 75% of total export earnings last year. The company directly involved, the Nassa Group, produces for cheap clothing outlets like Wal-Mart in the US and Primark in the UK.

Nassa is reputedly one of Bangladesh's better employers, among the first to pay its 27,000 workers the national minimum wage of \$25 (£13) a month, a figure agreed last year after a series of militant struggles.

The marches were eventually broken up by the army and police, actions that are increasingly politicising the economic struggles of the workers.

This comes on top of a veritable explosion of militant demonstrations across the country in late August against the military regime, sparked off by the students demonstrating and demanding an increase in democratic rights. The army provocatively occupied the universities, invading the academic and social life of the campuses, aware that the students had brought down two previous military governments.

Within days, massive protests had spread to at least six major towns and cities, involving workers and unemployed in the demonstrations. The military responded with bullets and tear gas, killing one protestor and injuring several others. A curfew was imposed, and several academics and student leaders were arrested, reports stated that they were subsequently tortured in prison. Prime Minister Ahmed referred to them as "evil forces" working to destabilise the country.

The scale and scope of the protests,

however, shocked the military establishment, causing them to cave in to most of the demands of the students, including evacuating the universities and campuses. However, the state of emergency remains and as long as the army rules the streets the situation remains explosive.

The struggle for democratic rights, well to the fore in Bangladesh, is nevertheless intimately linked with that against economic hardship. The rapid growth in the cost of living, food prices and other essential goods have more than doubled in price in the last 6

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months, has given rise to urgent economic demands from the workers and poor for higher wages, voiced by trade unions and co-operatives. This is leading to a class wide confrontation with the real forces of evil, the Generals and puppet politicians backed by the World Bank.

Since January 2007, Bangladesh has suffered under what is, in effect, a military dictatorship. The elections that were due at the beginning of the year were postponed indefinitely; an interim government (made up of technocrats and military backed politicians) said that this step was taken because of the endemic corruption that had to be rooted out before returning to elections. On September 5, the President, Iajuddin Ahmed, announced that he would also stay on indefinitely because there is no legitimate government to elect him.

The current political crisis is a manifestation of Bangladesh's deeper problems. When India was torn apart by the British ruling class after the fall of their colonial empire, the area in the east of Bengal around the Ganges delta, was marked off as East Pakistan, separated by 1,600 kilometres from West Pakistan

united only by a common religion, Islam.

The imperialists thereby cut the Bengali-speaking people in two, the west Bengalis were largely Hindu, so they stayed in India. A united economy, a powerful working class movement and a developed national culture were severed. Despite constituting a majority in the new state, the Bengalis were treated as second class citizens in the new nation, expected to learn Urdu, submit to politicians from the west and so on.

## THE BIRTH OF BANGLADESH

Thus, it was scarcely surprising these differences ignited a struggle for national liberation against Pakistan. The success of the struggle led to the birth of Bangladesh in 1971, written off almost immediately by Henry Kissinger as a "basket case", a country so small and economically unviable that it would be unable to sustain itself in any traditional bourgeois sense. The pressure of the world market, crippling foreign debts, exploitation by foreign multinationals and so-called natural disasters have ensured that Bangladesh has lurched from crisis to crisis.

The failure of capitalism to create an economic base in the country to provide for the 150 million people living there is reflected in the figures, 75% live on less than \$2 a day. The most important sector by far is agriculture, in which the great majority of the population is employed. However, the bankruptcy of the system means that the issue of who owns or profits from the land, which is such an important part of most people's lives, is left unresolved.

Over a third of the peasant population are classified as landless, over three quarters of the country rely on the land and fishing to survive and subsistence farming is the primary mode of existence for 85 per cent of the country's poor. Yet,





Sheikh Hasina leader of the Awami League, now charged with corruption and murder



Khaleda Zia the leader of the BNP, and ex-President, being led away by soldiers after her arrest

under the impact of globalisation and climate change, the situation is now getting even worse for many Bangladeshi's who still live at the mercy of the seasons. Around a third of the country floods every year in the summer monsoon seasons. In 2007, the flooding was particularly bad, with around 80% of the country under water at one point.

Bangladesh has suffered from its birth with ineffective and unstable bourgeois democracy, wracked by endemic corruption, that has resulted in several assassinations of presidents and repeated military coups. Two main political parties developed, the Bangladesh National Party and the Awami League. Generally speaking, the first appealed to the army, capitalist class and middle classes, whilst the Awami League attempted to appeal to the peasants and urban poor. However, both of them were pro-capitalist parties separated only by a formal identification with opposing ideologies (nationalism or "socialism"). In government, both parties pursued and implemented much the same measures and policies that were demanded by the international bourgeoisie, and both have resorted to violent hooligan methods to attack and break up the other side's political activities.

The polarisation of Bangladeshi politics grew and deepened after the failure to establish a dominant national ideological trend, called "Mujibism", after the first president Sheikh Mujibur Rahman, a mixture of reformist socialism, Islam and liberalism. His assassination by the

army marked the military's first foray onto the political scene, and it is a general methodology they have maintained, mirroring their counterparts in Pakistan's military circles. Bangladesh laboured under a 15-year military dictatorship from the late 1970's.

Bangladesh politics sees the frequent mobilisation of gangs of unemployed young men to beat up and intimidate political opponents, combined with attacks on the press and intellectuals critical of the government, and persecution of the minority Hindu population.

### THE MIDDLE CLASSES

The development of a layer of well paid workers, a labour aristocracy, or a better off middle class did not occur to the extent it did even in neighbouring India. Thus, a reformist labour movement never put down strong roots or acted as a counterweight to the bourgeois parties. Instead, Bangladesh has suffered a growth of NGO's and other "civil society" institutions that rely on western money and help to institutionalise dependence of wide sections of the population on western charities. Around 10% of the GDP of the country is from western aid and loans. This NGO-isation itself acts as blockage to the development of a mass political workers' movement.

Furthermore, the strength of dynastic tendencies in the two main parties meant that both revolved around the personality and politics of two men and, after their assassinations, the wife of the founder of the BNP, Khaleda Zia and

Sheikh Hasina, the daughter of Rahman. These two historical leaders of Bangladesh have alternated in power since the early 90's.

These were the factors that led to the military coup and the drive by sections of the Bangladesh ruling elite, backed by the World Bank and other imperialist institutions, to transform the Bangladesh political system into one more attuned to neoliberalism.

Fakhruddin Ahmed, prime minister of the caretaker government, was a chief executive for a Bangladesh bank and a bureaucrat within the World Bank, a man after the imperialists' own hearts. Since being invited to take power, he has pursued a 'tough' anti-graft policy which has resulted in over two hundred arrests of senior Bangladeshi politicians and civil servants. Since the summer, he has also targeted the two first women of the nation, Zia and Hasina, who have been investigated under corruption charges. Hasina was also placed under arrest for the more serious charge of ordering the murder of four political opponents in October 2006.

The arrest of Begum Zia led to an internal row in the BNP. The party split into reformists (those opposed to the Zia regime and willing to hang their old leaders out to dry to win some backing from the current authorities) and the loyalists, who stuck with their persecuted leaders. The Awami League was wracked by a similar internal conflict, but Hasina out-manoeuvred the reformists by herself setting up a com-



mittee to establish constitutional reform within the party.

Why is this happening now? One of the primary factors is the international "war on terror". As a majority Islamic country, the US and its allies have a vested interest in preventing it descending into chaos and providing a breeding ground for "terrorists". For them, this means creating a more stable parliamentary structure that they believe will stop 'Talibanisation' of the country, that is the growth of militant Islamist organisations such as Jamaat-e-Islami.

Hence, the interim government serves two purposes, cleaning out the Augean stables of Bangladesh politics whilst holding the country in a vice like grip of near martial law to frustrate the growth of what they see as extremist elements. The class nature of the military take over is further exposed by the banning of all trade union activity in the country (meetings, rallies, strikes and so on).

## RE-ALIGNMENT

The political process underway in Bangladesh is, therefore, one of political realignment and restructuring of the previous parties and institutions under the watchful eye of the Bangladeshi army and the imperialists. As this process gets underway, the government has promised to repeal some of the emergency laws in order to facilitate the process. For instance, within one week of the BNP split being made public, the government met with party leaders to discuss relaxing the ban on political activity in the country. It would be hard for the BNP reformists to organise themselves into a more amenable political party under the official patronage of the interim government if they cannot organise political meetings. One of the new political formations will no doubt be picked and groomed for a role as the future party of power.

If the imperialists want to liquidate the old political order and rebuild Bangladeshi politics, then the working class must be clear about what its goals are during the process of transition. The capitalists will attempt to build new populist parties that appeal to both the rich and the poor as offering a way out of the crisis.

New political leaders, like Mohammed Yunus, may be brought to the fore to establish new "clean" political parties to break apart the old two party system.



Yunus won a Nobel peace prize for his idea of micro credits that claims to have 'revolutionised' poverty alleviation in the third world. These loans, that go to some of the poorest people in the world, mainly women, are intended to foster small-scale, family-based, "micro-businesses" and, in time, to develop a more conservative layer in rural society. To the extent that they are successful, they will divide the peasants in every village. If this is the kind of pioneering system that capitalism has in store for the millions of poor in Bangladesh then every worker, youth and peasant should be worried.

Revolutionary communists in Bangladesh have great opportunities in conditions where workers are coming into struggle, where militant trade unions and peasant organisations are springing up, or will do so tomorrow. They will need to avoid all sectarianism when it comes to uniting mass forces and, at the same time, base themselves on a programme of class independence and the goal of working class power.

## PROGRAMME

The immediate economic, as well as the democratic, needs of the masses can be focussed around the call for a revolutionary constituent assembly, not the charade of military and imperialist-vetted elections. A sovereign constituent assembly could resolve crucial issues like the land question, nationalise the industries and infrastructure under workers' control and replace the standing army and its coup-making high command with a mass workers' and peasants' militia.

The working class and rural poor must

urgently use the present upheavals to begin to build a new revolutionary party for themselves, not a party that is divided by religion or patronage to this or that rich leader, but a party that fights for socialism and the removal of Bangladesh from the world imperialist system as the only step that will be able to lift the millions out of poverty, a workers' state helping to spread the revolution and create a United Socialist States of South Asia. Only along the road of struggle for this can the urgent needs of the masses in Bangladesh, economic, social, political and environmental, be met.



# Respect's crisis is opportunity for new workers party

Open warfare has broken out in the Respect Coalition between George Galloway and the Socialist Workers Party. Respect is the only force to the left of Labour with a parliamentary seat. As the Brown government continues the attacks on the working class, **Luke Cooper and Dave Stockton** ask, where do we go from here and what must the SWP learn from Respect's failure?

In early September Respect MP George Galloway circulated a letter to the Respect National Council entitled "It was the best of times, it was the worst of times". The letter appears to point to a possible early disintegration of the "Unity Coalition." Galloway makes a series of bitter complaints about how Respect is run, ranging from complaints over office procedures to accusations of ineptitude in election work and a general lack of accountability and democracy. He ends by warning that Respect may be facing oblivion. Although he does not mention by name the organisation he holds responsible for all this, it is quite obviously the Socialist Workers Party.

Respect was formed in January 2004 following Galloway's expulsion from the Labour Party for his steadfast opposition to the imperialist Iraq war. A year later in May 2005 George Galloway was elected as MP for Bethnal Green and Bow. The SWP was always keen to identify the Respect brand with Galloway's flamboyant personality. Respect received boosts from high profile media events, such as Galloway's brilliant showing before a US Senate committee. Following his election he spoke at huge rallies across the country. At universities such as Leeds and Manchester nearly a thousand people crammed into packed lecture halls to hear him speak. This was the golden age of Respect.

In the special issue of *Socialist Worker* that followed Galloway's election various Respect supporters, from SWP members to the Muslim activist Salma Yaqoob, talked of their "hopes for this new party". In a thinly disguised attack on critics of the project, such as Workers Power,

Lindsey German said: "to the complaints that people don't like some aspect of the coalition, we should reply that coalition politics are precisely about agreeing on certain issues around which we can unite." Indeed, Respect was held up as legitimising the SWP's policy of forming "united fronts of a special type" with other forces to the right of them and always tailing the politics of their allies, whilst keeping the organisation of these campaigns under strict control of the SWP.

## CRISIS POSTPONED?

The background to the crisis is the failure of Respect to take continued headway in terms of membership growth or further electoral success. Overall membership figures have dwindled from 3,040 in 2005 to 2,160 in 2006.

The immediate crisis was sparked by two London election results: in Southall and Shadwell, both with large Asian communities. Respect bombed in Southall in July, receiving only 588 votes, or 1.61 per cent. In Shadwell the following month, Respect defended a council seat successfully, but saw its lead cut from over 400 to just 97. In both, Labour enjoyed a "Brown bounce", i.e. a revival due to Tony Blair's departure. The question for Respect strategists, given the likelihood of an early election in autumn 2007 or the following spring, was could the coalition make further breakthroughs, or would it suffer serious reverses?

Galloway's complaints about the internal regime of Respect attack the SWP's well known bureaucratic method of running "its" campaigns. It has prompted a



sharp response from the SWP, led by John Rees, Respect's National Secretary, who is explicitly criticised in Galloway's letter. The SWP leadership called an all London members' meeting on a Friday evening to discuss the crisis, to which 200 members turned out. At it Rees denounced Galloway as "going over to communalism" and described the struggle in Respect as between the "left" (i.e. the SWP) and the "right" (Galloway, and some of the muslim businessmen).

The accusation of "communalism" is gross hypocrisy coming from John Rees. He is the architect of the Respect project, built around winning the support of influential Muslim leaders, who could deliver the votes of their communities. This involved major political concessions from the outset - downplaying gay and lesbian rights, supporting the reactionary religious hatred bill, which placed restrictions on the freedom to criticise religion, even supporting the extension of religious schools.

The background to the crisis in Respect are the growing tensions between the SWP and the certain "muslim communities" that acted as an electoral base for the Alliance.

Salma Yaqoob, a leading figure in the Muslim Association of Britain and Respect councillor, indicates in her contribution, "Challenges for Respect", that tensions with the SWP stretch back to 2005, claiming that, since a tactical disagreement with John Rees, she has had barely "two phone calls from him"<sup>3</sup>. However, the reasons for this crisis run much deeper than a falling out between friends. This is shown very clearly from the fight over the selection of Respect candidates in Birmingham.

SWP member and national student and antiwar activist, Helen Salmon, lost out in the vote to a Muslim candidate after sixty people joined the coalition in Birmingham in two days - prompting extremely rare criticism of Respect in *Socialist Worker*<sup>4</sup>. This manipulation of the democratic process by influential community leaders is an inevitable consequence of the basis on which Respect was formed. Such leaders in the Muslim community have not earned their status due to fights in the class struggle, but because of their social position: as businessman, religious leaders or coming from a well-connected family. As Workers Power said from the outset when we refused to join the Respect coalition, the

idea of welding such people into an alliance with the left and trade unionists, held together by George Galloway's celebrity status, was an unprincipled act of political adventurism and sure to end in disaster.

The showdown came on 22 September when Respect's National Council gathered for a packed and stormy meeting. Galloway demanded to know whether the SWP had circulated a "truth-kit" about him to its members, which John Rees had to admit. At one point the MP stormed out of the meeting. He returned however to negotiate a peace treaty, which took up some of his proposals. The Respect NC is to reconvene on 29 September and the coalition's conference is due on 17-18 November. However, the common desire to keep Respect together at least until the general election and London mayoral and council polls next May seems to have cooled tempers. Nevertheless further election failures or clashes over candidates could easily blow the truce apart.

## WORKERS' PARTY OR POPULAR FRONT

The working class has now experienced two terms of a Labour government, with more privatisations than the Tories, significant growth of social inequality and, above all, the imperialist wars for oil and geo-political dominance. Half of Labour's 1997 membership has deserted the party; two of the more militant unions, the Fire Brigades Union and the Rail Maritime and Transport union (RMT), are now outside its ranks; millions more are discon-

tented. With this background there has been (and remains) a tremendous opportunity to build a new working class party.

This requires, however, a clear class starting point. A party fights for political power, and all programmes in class societies necessarily express class interests. It is measured against this historic task, to break the vanguard of the working class away from Labourism and reformism, that Respect can be seen for what it is - an obstacle. Respect is a populist project, radical, antiwar, with commitments to oppose attacks on social gains and democratic rights but no clear answer as to what system is at the root of these attacks nor what measures are needed to overthrow the system. Respect's programme from the outset made major concessions to middle class Muslim community leaders. Lindsey German, a leader of the SWP, summed up its position at the founding conference of Respect, when she said it was looking to build something "less explicitly socialist" than the Socialist Alliance. It is absurd for a self-identified Marxist to come out with such a statement. As we said in 2005: "If socialism is to mean anything, it must be the objective interests of the working class. To say that a programme was too socialist is merely to say that it fought too consistently in the interests of the working class."<sup>5</sup>

The SWP did not fight for Respect to be established on clear working class socialist principles. The response of Lindsey German was that those who "wanted to go to the factory gate to look for the working class were living in the past."





They should go down to the mosques because "that is where the working class is today". Of course, at the mosques there are indeed some of the most exploited workers in Britain, ones that suffer racist oppression on top of this. However, it is the very nature of religious communities that they are cross-class and their leaders are self-selecting on the basis of their success in business or their position at the mosque.

It is entirely legitimate to unite with such forces in action around demands that are in the immediate interests of the working class, such as opposition to war. Such an alliance - as the SWP repeatedly tell us - made the great antiwar protests on 15 February 2003 possible. However, this unity is necessarily short lived, as the middle class, because of their more affluent position, are reluctant to take the direct action necessary to stop the war, and will oppose the movement organising such action. This is analogous with the role played by trade union and reformist forces in any united front as they, too, are fearful of the destabilising effects of militant action. In the united front, revolutionaries must fight for an independent working class policy and continue to criticise reformist, pacifist or liberal leaders. The SWP has however developed what it calls a "special type" of united front where it suppresses all criticism of its allies, and argued not for what is necessary but what is acceptable to these allies.

But the root of the SWP's error is that it confused a party, which is an organisation which struggles for political power with a united front which unites politically disparate forces for one or a few immediate objectives. The trouble is that the SWP thought that an "united front" or alliance was good enough to enter the electoral battlefield. After all since "socialism can't come through parliament" socialism was not really the issue when standing for parliament. The main thing was to win some seats. Galloway, a lifelong reformist and parliamentary cretin sees a party as simply there to get him, and others like him, into parliament.

In Respect, the SWP and Galloway made the canny calculation that in certain areas of London, Birmingham and a handful of northern cities, it was possible because of the high concentration of muslim voters, to win several seats, if Respect presented itself as "the party for

Muslims". The price they paid was reducing socialism to a letter in the acronym, RESPECT<sup>®</sup>, not even mentioning the word in its local election material. It meant dropping issues like the right to abortion, gay rights, and secular schools in order to pander to the reactionary social views of the leaders of the muslim community. For Galloway this was no sacrifice because he shares most of these reactionary social views, and regularly parades his own Catholic beliefs. For the SWP, it was a much more dangerous game. Again it was Lindsey German who gave the most crass expression of this method. She argued at Marxism 2003 that they should not "make a shibboleth" of gay and lesbian rights, if it hampered their ability to form the new political alliance.

### CLASS OR COMMUNITY?

In its sally into the Muslim communities the SWP did not even try to attract and organise the antiwar working class and youth distinctly from the leadership of the mosques. To orientate to them solely on the basis of their religion, and not because of their class was an opportunist adventure: one which hit the jackpot in the short run but in the end was doomed to failure. It should become a text book illustration. Grabbing at short term and narrowly defined success (winning seats) it ignored totally the political basis on which they would be won and what the successful candidates were likely to do once elected.

In the event the SWP could not even persuade the community leaders to give it a place on their electoral lists. The latter clearly thought "the party of muslims" should have muslim candidates, if they were providing most of the voters. Now the SWP has started to accuse these leaders of being "communalists" and businessmen.

John Rees thus belatedly acknowledges the problems of the cross-class nature of his whole political project. In a letter written two weeks after Galloway's attack he admits: "We believe that the constant adaptation to what are referred to as 'community leaders' in Tower Hamlets is lowering the level of politics and making us vulnerable to the attacks and pressures brought on us by new Labour. It is alienating us not only from the white working class but also from the more radical sections of the Bengali community, both secular and Muslim,

who feel that Respect is becoming the party of a narrow and conservative trend in the area."

Better late than never. However some people warned from the beginning that this was a rotten block that would fall apart at the first serious test. Back in 2003, in the dying days of the Socialist Alliance, when John Rees and the SWP first came up with the idea that led to Respect Workers Power argued for an outright rejection of "any idea of an electoral bloc with non-working class forces or communities defined on a religious, ethnic or cross-class basis." We argued that there should be "no question of ... entering into any form of political bloc with religious institutions or their representatives for the purposes of contesting elections. This would necessarily compromise both working class independence and the socialist character of the platform and mean suppressing key elements of our immediate demands (e.g. secular education, separation of church and state and women's gay and lesbian rights.)" If Rees is now denouncing Galloway as a communalist, this is simply a pragmatic tit-for-tat response to Galloway's attacks on the SWP.

Faced with the prospect of the collapse of their political adventure, the SWP leaders are retailing Galloway's more crass reactionary statements and silly episodes like his appearance on reality TV show, Big Brother, and his failure to hold himself accountable to the Respect leading bodies. In fact it was the SWP that boosted the tasteless cult of George's personality. They answered any critics with the disloyal suggestion that they were Islamophobes or aiding the press witch-hunt against Galloway.

Indeed John Rees himself wanted the same freedom from democratic control as Galloway. When the mildest attempt was made at Respect's 2005 conference to make him report regularly to the membership, John Rees commented "if you want a national secretary sitting behind a desk answering emails, then get another one".

In fact, it was Rees and the SWP which elevated Galloway to the position of a populist "bonaparte", unanswerable to the annual conferences or national council of Respect. He alone was able to reconcile and arbitrate between the two major forces in Respect: the "red" SWP with its activists, journalists and the socially conservative muslim community



leaders with their voters. This tradition of the great leader is natural to populism, but dragged into the workers movement by Stalinism. Marx. Lenin. Trotsky denounced all cults of leaders. The task of revolutionaries is to expunge it and replace it with workers democracy: regular election, instant recall, no privileges, full accountability.

But the chickens have finally come home to roost. Whatever truce can be patched up, between the SWP and Galloway, Respect's days are numbered. and when the collapse comes it will leave the SWP's entire political project in ruins.

### WHAT KIND OF PARTY?

An article printed in Workers Power in April 2005 asked the following: "Has populism worked? No. But by trying to make it work the SWP has actively, though not necessarily permanently, blocked many from taking steps towards building a working class socialist alternative - a new workers' party." "8 The collapse of Respect would not be a tragedy. It need not even be a setback, providing both SWP members and Muslim working class militants and youth, shed their illusions in populism as an electoral short cut to the House of Commons or the council chamber and turn to class politics, on the streets and in the workplace.

The objective conditions for breaking tens of thousands of worker militants and youth including from amongst the racially oppressed, away from Labour are not only still present, they are actually getting better. Gordon Brown's "bounce" is due to little more than popular relief at getting rid of Blair. He has brought the former chair of the Confederation of British Industry, Digby Jones, into his government and set out to cut the real wages of public sector workers.

His reform of Labour's conference will further reduce it to a focus group marginalising still more what little influence union leaders retain. A briefing paper by "a leading official" in Unite/T&G says: "The proposals represent an attempt to destroy the Labour Party as a democratic political organisation based on the labour movement. The working class would be to all intents and purposes disenfranchised. We would back to the situation we faced when the party was first founded."<sup>9</sup> Brown's contempt for the union leaders is such that he continues to humiliate them even when Labour is in enormous



George Galloway MP and John Rees National secretary of Respect

debt - a colossal £27 million. Meanwhile the unions continue to pour around £11 million every year in to a party that kicks their members in the teeth.

John McDonnell, champion of the withered Labour Left, ran a campaign that proved the most miserable failure in the Party's history. More and more figures in the unions and on the left say openly that Labour cannot be reclaimed from within. In many speeches McDonnell has come close to acknowledging this, pleading that the left MPs are still useful to the extra-parliamentary social movements and the unions fighting a Labour government. As supporters of such campaigns we naturally agree that they should expect support from the left Labour MPs the unions pay for. But what McDonnell ignores is that these campaigns, and the trade unions, are held back, because they do not have a party to lead and coordinate their efforts. In addition they waste their money on hundreds of MPs who actively support a government which is intent on fighting them and who are supporting imperialist wars in Iraq and Afghanistan.

But there are signs of movement. Bob Crow has recently circulated RMT branches canvassing their support for a project for the union to stand anti-neoliberal candidates in the next election. The Communication Workers Union saw substantial conference minorities wanting a break - long before its present industrial dispute against the Labour-backed Royal Mail bosses.

Even in the old warhorse of Stalinism, the *Morning Star*, unofficial newspaper of the Communist Party of Britain (CPB) - for years wedded to the Labour Party - realises the game is up. In a significant recent policy article, Rob Griffiths, the

CPB's general secretary, concludes: "The final crisis approaches for the whole trade union movement and the non-sectarian left. Are we to have a mass party of labour in Britain? If the Labour movement cannot or will not reclaim the Labour Party from the privatisers, the warmongers and the Thatcher fans, it will have to re-establish one. Does our movement have the leadership and vision to fulfill such a historic responsibility?"<sup>10</sup>

### THE INTERNATIONAL DIMENSION

Nor is the situation in Britain an isolated case. The attacks on the working class are part of a global offensive related to the recent period of world history that has come to be known as globalisation. It has created a general crisis in Social Democratic, Labour and Communist parties who have traditionally based themselves on the working class. In government, either alone or in coalition, they have simply continued, the neoliberal attacks of the right wing parties. This has led to splits from them and unifications, such as *Die Linke* in Germany and the calls for new workers party, recently initiated by the *Ligue communiste révolutionnaire* (LCR) in France.

In this context calls for new workers parties are a spreading international phenomenon. Of course there are real differences as to what people mean by this call. Everything depends on what sort of party is meant. In Britain the CPB, the SWP at the time of the Socialist Alliance, the Socialist Party and other far left groups, all insist that the new party must be founded on a left-reformist programme with a orientation to elections as its fundamental activity. For those



amongst them who still call themselves revolutionaries it is always "too soon" to put forward a revolutionary programme for the new party. It will, they say, repel reformist workers. But when will the time come to argue for the revolutionary programme? At some unspecified time in the future when the "workers are ready". Of course, in truth, the time never comes as the "revolutionaries" continually endorse the reformist programme of the left MPs and trade union bureaucrats to maintain an alliance with them.

In Germany this method has led the SWP's sister organisation *Linksruck* to liquidate itself into *Die Linke*, a new left party based upon the old East German Stalinist party, PDS, and a split, led by Oscar Lafontaine from the governing social democracy, SPD. In *Die Linke* *Linksruck* have totally capitulated to its right wing leadership, attacked left critics and been rewarded with positions on its ruling national executive and lucrative jobs as advisors to its parliamentarians. Meanwhile, when in regional government coalitions with the SPD, in Berlin and Mecklenburg-Vorpommern the new party has carried out social cuts and other attacks on the working class. Yet *Die Linke* was formed following a series of important working class struggles against the ruling social democracy. However it never gave leadership to these struggles. It hoped instead to simply benefit at elections from disillusionment with the SPD. As a result it has not become a mass membership party but is based mainly on the ageing membership of the PDS.

Another example of, this are the actions of an apparently much more left-wing workers party, the Italian *Rifondazione Comunista* (Communist Refoundation). *Rifondazione* broke from the old Italian Communist Party when it turned to the right in the early nineties. Its charismatic leader Fausto Bertinotti, once a militant trade union leader, talked very left. *Rifondazione* played a significant role in the huge workers and social movements during the resistance to Silvio Berlusconi (2001 to 2006). The party was in the forefront of the vast anti-war mobilisations. Yet in 2006 they entered a coalition government with Romano Prodi, former head of the EU Commission and one of the central drafters of the Lisbon Agenda, the neoliberal plan to slash social services and promote privatisation across the continent. In his cabinet *Rifondazione* ministers

have supported Prodi's continued stationing of Italian troops in Afghanistan.

What all these examples show is show is that the parties with a reformist political programme when they get into government in a period in which the bourgeoisie wage an unremitting offensive against the working class simply carry on with the attacks the bourgeoisie require. Of course any government within the straightjacket of the bourgeoisie state, its army, police, judiciary and state bureaucracy, will rule for the bourgeoisie. In a boom period like the one after the Second World War this could go alongside enacting significant social reforms. Today when the capitalists mean "reforms" they are demanding the destruction of these gains, in this situation the reformists dare not carry out the most petty *real* reforms. This means that for "revolutionaries" to consciously and deliberately advocate a reform programme for a workers party is an even bigger betrayal than before. This makes the struggle for a revolutionary programme for a new workers party all the more critical.

Does this mean that revolutionaries present their programme as an ultimatum to workers and youth who have not yet broken with reformist ideas, who are confused about what the connection should be between elections and the struggle in the workplace and the streets, about what role members of parliament or trade union leaders should have in a working class party? Not at all. Revolutionaries should enthusiastically participate alongside such workers in the struggle to build their party, in every effort to make it a party of active class struggle. They should at the same time patiently explain that such a party must become an anticapitalist and a revolutionary party and that this must be boldly expressed in its programme.

## WHAT NOW?

In Britain the CPB leadership narrowly voted against joining Respect in 2004, but now is proposing its Left Wing Programme as the basis for regroupment of the Labour lefts and those to the left of Labour<sup>11</sup>. The decision by the RMT to stand electoral candidates, indicates the growing possibilities of a campaign to break the unions from Labour and to lay the foundations of a new working class party. In short, the prospects for a new working class party have not diminished

because the "big three" union leaders' man has succeeded Blair. On the contrary, the inevitable disillusion with Brown will bring the project closer to fruition. Initiatives like the National Shop Stewards Network and Organising For Fighting Unions as well as the Campaign for a New Workers Party, could take the lead and convene a common conference to discuss the issue and local conferences in every town and city. The fightback by public sector workers against the pay freeze gives an excellent opportunity to agitate for a new party amongst workers in struggle. In the fight for a new party we need to make clear the failures of all varieties of reformist politics, including the left. We need to criticise all halfway house ideas on offer from far left groups like the SWP and the Socialist Party. We need to fight for a revolutionary programme if we are to win in the struggles ahead.

## ENDNOTES

- 1 Lindsey German, et al, 'Our hopes for this new party', supplement to Socialist Worker, June 2005
- 2 For example see John Rees, 'The broad party, the revolutionary party and the united front', International Socialist Review 97, Winter 2002, and Alex Callinicos, 'Unity in diversity', Socialist Review, April 2002
- 3 Salma Yaqoob, 'Challenges for Respect', available at - <http://www.cpgb.org.uk/work-err/689/salma.htm>
- 4 Andy North, 'Debate at selection meeting for Birmingham Respect candidate', Socialist Worker, 3 February 2007
- 5 Luke Cooper, 'The Socialist Workers Party and the new social movements', Workers Power, no. 297, summer 2005
- 6 RESPECT stands for Respect, Equality, Socialism, Peace, Environment, Community, Trade unionism.
- 7 Jeremy Dewar, 'For a new mass working class party', Workers Power, no. 302, January-February 2006
- 8 'No respect for principles', Workers Power, No. 295, April 2005
- 9 Robert Griffiths, 'The final crisis is near', The Morning Star, 10 September 2007
- 10 ibid
- 11 Robert Griffiths, 'More Nuremberg than democratic', The Morning Star, 24 September 2007



# Global credit crunch – towards a crisis of globalisation?

By Richard Brenner

The year 2007 has not so far been kind to the ideologues of capitalism – nor to anyone expecting the current boom economy in the US and Britain to continue unabated in the years ahead. A series of sudden events, culminating in a global credit crunch in August and even a good old-fashioned bank run in the UK in September, revealed that the capitalist system remains riven with contradictions that are prone to burst out in periodic crises.

The big question confronting all classes of society is how the financial crisis of 2007 will affect the underlying economy and in particular whether it will bring a US recession and a world economic slowdown in its wake. If so, how soon and on what scale?

The proximate cause of the credit crunch is an entirely predictable and on the face of it undramatic event: the end of the US housing boom. Yet this long expected, indeed inevitable, development has already had dramatic, apparently unexpected, consequences.

This summer saw the European Central Bank, the US Federal Reserve and the Bank of England repeatedly pump billions into the banking system. Credit lines dried up as banks refused to lend; large-scale mergers and acquisitions stalled. Major banks were unable to pass on loans that they would otherwise have syndicated and have been left holding at least \$300 billion in debt unexpectedly on their balance sheets.

American Home Mortgage, one of the major US lenders, filed for bankruptcy as the sub-prime mortgage market in the US, which lends to high risk, low income home buyers on the expectation of continuing rises in house values, began to collapse.

Several banks, including French bank BNP Paribas, German IKB and Sachsen

LB and US investment bank Bear Stearns, all hit trouble; Bear Stearns' CFO, Samuel Molinaro, said "I've been out here for 22 years, and this is as bad as I've seen it." Suddenly, in mid-August, Federal Reserve chairman Ben Bernanke reversed his previously strict anti-inflationary policy and announced a cut in the discount lending rate to enable banks to access emergency loans more cheaply.

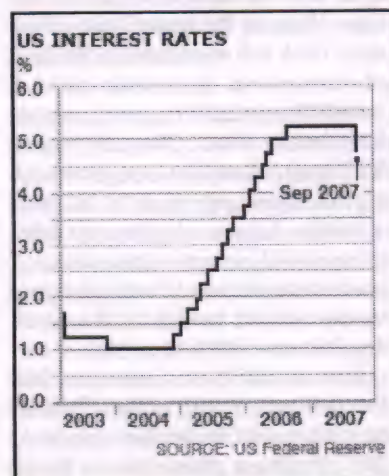
Then, in the UK, Northern Rock, the country's fifth largest mortgage lender, had to be rescued by the Bank of England as its credit lines, on which it was almost entirely dependent for its lending activity, were frozen by other banks. "I can't see any time when it has happened before", said the bank's chief executive Adam Applegarth. "Every single market froze." The Bank of England's move alarmed private investors, especially as the Bank's governor Mervyn King had insisted only days before that it was not his role to bail out banks that got into trouble because of their own errors.

Britain was shaken by TV and press images of large queues forming outside local offices of Northern Rock all across the country, as depositors, many of them elderly, waited for hours to withdraw their life savings; a total of £2 billion was

withdrawn in two days alone. The credit crunch had hit the High Street. As Northern Rock's share price tumbled, other lenders, including Alliance & Leicester and Bradford & Bingley, also started to see sharp falls in their share prices; Alliance & Leicester lost nearly a third of its value in just a few hours' trading. The bourgeoisie were so worried that the integrity of the banking system could break that, on 17 September, in an unprecedented move, Gordon Brown's government moved to head off the first bank run in over a century by guaranteeing the savings of all investors, effectively underwriting bank deposits from state funds.

Paul Sheard, an economist at Lehman Brothers, warned that "The global economy appears to be at a turning point...First, the US housing recession has turned out to be considerably worse than we envisaged...Secondly, the sub-prime mortgage meltdown has triggered a broad sell-off across capital markets, with incipient elements of financial contagion and panic." He concluded that, "strong interactions between these spheres make for an extremely uncertain medium-term economic and financial outlook."

In the face of this turmoil, calls mounted for cuts in interest rates, to ease the cost of borrowing and stimulate investment once again, fending off the threat of a recession. When Bernanke cut the discount rate on 16 August, his reasoning was entirely focused on staving off a downturn, and he did not even mention his former priority of fighting inflation. "Financial market conditions have deteriorated, and tighter credit conditions and increased uncertainty have the potential to restrain economic growth going forward...the Federal Open Market committee judges that the downside risks to growth have increased appreciably" he said. On 1 September, he





reinforced his stance, saying: "Obviously, if current conditions persist in mortgage markets, the demand for homes could weaken further, with possible implications for the broader economy...The Federal Reserve stands ready to take additional actions as needed to provide liquidity and promote the orderly functioning of markets."

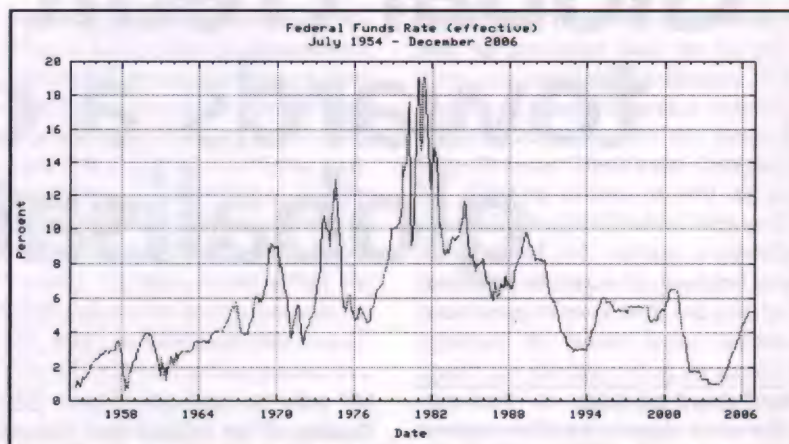
And, indeed, further signs of a downturn did come in early September, when jobs data from the US Department of Labor revealed a surprise 4,000 fall in the US workforce, when economists had predicted an increase of 110,000.

So, on 18 September, Bernanke startled many with a bigger than expected cut in the headline Federal Funds rate of a full half point, from 5.25 to 4.75%, warning that "The tightening of credit conditions has the potential to intensify the housing (market) correction and to restrain economic growth more generally."

Voices have been raised against this course, with influential figures from the Bank of International Settlements, the International Monetary Fund and investment banking and venture capital organisations arguing that bailouts and cheapening credit will only make the situation worse in the long run, postponing the inevitable and storing up problems that can only re-emerge as a more serious crisis in future. To understand this contradiction, and the cleft stick that the capitalist finance ministers find themselves in, we need first to take a short look at the pre-history of the credit crunch.

## FROM HOUSING BUBBLE TO CREDIT CRUNCH

In 1998, a global financial crisis tore across south east Asia and Russia. When a hedge fund, Long Term Capital Management, failed, a deep recession in the west was only averted by sharp cuts in interest rate. The cheap cost of capital spurred a stock market bubble ("the dot-com boom") that then burst at the end of 2001. Again the US government, and former chairman of the Federal Reserve Alan Greenspan, sought to stave off a recession in the USA by drastic cuts in interest rates. This systematic lowering of the cost of credit was the foundation of the extended US housing boom. At the beginning of 2001, the Federal Funds rate stood at 6%, by the summer of 2003, after a succession of 11 cuts, it was just 1%. The consequent explosion of consumer debt encouraged a massive expan-



sion of mortgage lending and home ownership, house prices soared still further.

Loan companies lent a huge amount of money to people with poor credit histories to buy houses when interest rates were artificially low. They encouraged people to take out big mortgages by arguing that rising house prices made them risk free. House prices rocketed, rising by \$12 trillion between 1997 and 2006, more than doubling over 10 years. However, increases on this scale made it more and more difficult for American workers to afford to buy a house, and those that did found they were mortgaged up to the hilt.

Aware of the danger that inflation posed to the economy in these circumstances, the Fed tried to ease it back down with a series of interest rate rises. From the beginning of June 2004, they began a long run of rate rises to June 2006, taking the rate back up above 5%.

But these came to an end when the Fed got cold feet in the face of a possible recession last year. When the U.S. Home Construction Index recorded a year on year fall of 40 per cent in the summer of 2006, the Fed called a halt to the rate rises. Many of the bosses' own economists think this was a mistake: the Bank of International Settlements called it "sowing the seeds for more serious problems further ahead". They said that by holding rates flat in the hope of stimulating investment and exports in the face of a massive balance of payments deficit (currently 6.5 percent of gross domestic product) the Fed was, in fact, just storing up even greater trouble for the future. And, in a sense, they were right.

Even though interest rates were held flat, economic growth in the US slowed to 1.3 per cent in the first quarter of 2007, the lowest growth rate for the US

economy since 2003. At the same time, inflationary pressures grew stronger. The prices of vital consumer goods like oil and food kept going up, driven in no small measure by the huge and rising demand for raw materials in fast developing countries like China. This demonstrated the contradictory pressures on the economy; slower growth demanded lower interest rates, but lower interest rates would stoke up inflation still further.

Guessing that rate rises would be necessary, a panic hit the financial markets in June this year. Investors sold US government bonds, forcing their price down. This, in turn, caused the already jumpy stock markets to take fright. They plunged several times in June, each time staging recoveries that gave way to sharp selling of shares when new bad news emerged. And on each occasion, as Wall Street went down, London, Tokyo and Frankfurt followed.

The markets guessed that, with house prices in the USA now starting to fall, restricting the ability of millions of middle class and working class homeowners to extend their personal credit on the back of the equity in their homes, and with repossessions rising sharply, more interest rate rises could cause massive problems, even though they remained necessary to counter inflation.

Then the sub-prime crisis really hit home. The huge rise in mortgage repossessions and defaults on loans to sub-prime borrowers exposed not only the lending companies to risk, but banks and finance houses around the world. The loan books of the sub-prime lenders had been packaged up into complex financial instruments called Collateralised Debt Obligations (CDOs) and lent on to all and sundry across the world financial system.



Last year saw a record issue of \$470 billion of these. So the problems in the sub prime mortgage market do not just affect a handful of lenders "foolish or greedy enough" to lend money to poor people. This is a mass of capital on which a huge amount of other lending and investment is based, and it is hugely overvalued and insecure.

In June and July, some US investment funds that had bought CDOs began to show huge losses, and rating agencies were forced to downgrade these types of debt, instantly making them worth far less than before.

This started a chain reaction. Many banks, hedge funds and other investment groups had borrowed huge amounts of money at cheap interest rates in order to buy masses of these CDOs and similar types of high-risk debt. They had hoped to make a quick profit of millions, and then pay back their debts. Now, interest rates were rising so their interest payments were rising too, but the assets they had bought were being downgraded and were falling in value. Caught between these opposing trends, many funds were forced to offload assets, shares, bonds, anything, onto the market to meet their obligations, so the prices of these assets also began to fall. This aggravated the situation enormously. Banks were afraid that rising interest rates would mean recession in the coming years and so they were less inclined to lend. In fact, they needed to start calling in debts; the contagion of the subprime lending became a massive disincentive to extend credit. The lines dried up. The crunch hit.

By September, it was clear that the US house price fall was more serious than had been estimated. The Case-Shiller US house price index found that, in 15 out of 20 major cities, house prices were falling, on average, by an annual rate of 3.2 per cent. Only 12 months earlier, house prices had been rising by 7.5 per cent nationally, so this reversal marked the biggest year-on-year decline ever recorded in the 20-year history of the index. It was also the first year-over-year decline in nationwide house prices since 1991. This accelerating fall in house prices now threatens to turn into a full-blown recession.

In his 1 September address to the nation, US president Bush tried to calm the markets and the American consumer by insisting that the "fundamentals" of

the US economy were "sound". This is, of course, the carefully scripted response that any bourgeois politician is obliged to make in the face of nervous and volatile market conditions. But is the fact that the US economy has shown strong growth in recent years really grounds to believe that the credit crunch does not presage a real recession in the USA?

## CORPORATE DEBT

Some commentators have argued that the tougher credit conditions will not affect the plans of US non-financial companies for expanded production, because they do not need to borrow money to finance their expansion plans. This argument is essentially based on statistics that suggest a relatively low level of corporate debt at present, which, it is claimed, shows that the credit problems can be retained within the financial sector.

The British business newspaper the Financial Times has published data from the Bank of International Settlements and the Bank of England which show that corporate debt levels have been falling; between 2003 and last year the debt of non-financial US corporations apparently fell from a high point of over 38 percent of total assets to around 32 percent of total assets (although it was still higher than in 2001, when it was 29 percent.)

Others, however, warn that these figures could be misleading. Over recent years company accounts have shifted from the traditional method of valuing assets at cost to a new "mark to market" basis, under which assets are valued at fluctuating market prices, instead of using the methods applied in national accounts, which value assets at production costs less depreciation (adjusted to take account of inflation). This means that company accounts generally understate their real debt.

National accounts are much more revealing. Data from the Office for National Statistics show that the net debt of non-financial companies rose from 20 per cent of asset replacement value in 1989 to over 50 per cent at the end of last year. In the USA, too, compared with output, corporate debt is rising. As economic consultant Andrew Smithers pointed out in the Financial Times on 29 August 2007, the national account information published by the US Bureau of Economic Analysis reveals that company leverage (debt) is rising rapidly, and that "in order

for the balance sheet data published by the Federal Reserve to conform with the accounts published by companies, the former are adjusted by the addition of 'statistical discrepancies' which currently run at \$800 billion a year".

He concluded that the increasingly common use by companies of mark-to-market values meant that the "balance sheets they publish will give a misleading impression if compared with similar data from earlier years." A better criterion would be to compare corporate leverage to output, in relation to which "US corporate leverage is high and rising...well above its long-term and even higher than its post-1990 levels."

Neither is this the only way that balance sheets disguise the true level of corporate debt. Common procedures like selling assets and leasing them back disguise debts still further by hiding them off a company's balance sheet.

Nor is it just the cost of borrowing that impacts on corporate profits. The credit crunch is also widely expected to have a broader effect on them. On 18 September, the International Air Transport Association slashed its profit forecasts for the global airline sector for 2008 by 19%, claiming that the credit crunch had reduced profit estimates by nearly \$2 billion. A spokesman said the airlines would get hit either way; if interest rates rise the slowdown in economic activity will reduce demand for flights; if they are cut, inflation will spark continuing fuel price rises, "either we get hit with higher costs or we get hit with lower demand".

The impact on consumer spending is also expected to be severe. US retail sales slowed in August with growth declining to 0.3 per cent. Peter Kretzmer, an economist at Bank of America, warned that, "Recent financial distress and gradual slowing in the US economy are now limiting consumer resilience".

The Federal Reserve's annual economics symposium in Jackson Hole, Wyoming, met at the start of September to discuss the crisis. Martin Feldstein, president of the National Bureau of Economic Research, gave a grim analysis, pointing to three dangers to the US economy; declining home prices, the sub-prime mortgage crisis, and a fall in homeowners borrowing money on the value of their homes. The "effect of home price declines and declines in consumer spending" could push the economy into



recession.

The economists at UBS think a 1 per cent rise in the cost of capital, with drops of 10 per cent in share and house prices, would drag America's output growth down by 2.6 per cent next year, pushing the economy into recession. The Economist magazine added, "Americans are still a big source of demand for the rest of the world. A sharp drop in that demand would hurt." A crisis in America that left consumers with considerably reduced purchasing power would aggravate the trend towards economic downturn.

A report from the Economist Intelligence Unit, "Heading for the Rocks – Will financial turmoil sink the world economy?" identified two possible scenarios. The more sanguine, "optimistic" version, with a 60 per cent probability, saw central banks' actions calming the markets effectively. However, the "main risk" scenario, with a 30 per cent probability, projected house prices continuing to fall in the US and followed by falls elsewhere, especially in the UK, Spain and Australia. Former Federal Reserve Chairman, Alan Greenspan, has warned of "large double digit declines" in home values "larger than most people expect"; already mortgage foreclosures are up 30 per cent year on year in the UK in the first half of 2007; and the EIU report says a predicted price fall in Spain "is likely to be painful and drawn out". If the global carry trade continues to unwind, Australia's interest rates, already high at 6.5%, could be forced still higher, with attendant casualties among homeowners and corporate borrowers. All of this would have a strong negative impact on consumer spending.

As for Asia, the impact of depressed consumer spending in the west is likely to be significant. The EIU says that, "Although there has been much talk of Asia decoupling from the global economy, we believe that a full-blown US recession would hit Asian exports hard." Exports of goods and services represented a staggering 38 per cent of Chinese GDP last year, twice the proportion in 1996. In India, the rise over the same period is from 11 per cent to 23%, in South Korea from 28 per cent to 43 per cent and in Taiwan from 47 per cent to 70%! Though there has been discussion as to the extent to which Asia has decoupled its economic fate from the US, the report points out that most Asian countries send between 13 and 20 per cent of

their exports to the USA, and that therefore "our risk scenario includes an assumption that the region's export performance is seriously crimped by the recession in the US."

## PERSPECTIVES

Bernanke's rate cut of 18 September suggests that US policymakers have decided to risk a third attempt at avoiding a US recession by slashing interest rates, although as yet it seems likely that they will apply smaller, incremental cuts, as in 1998-99, rather than the very sharp cuts following 2001. So will it be third time lucky? Or three strikes and out?

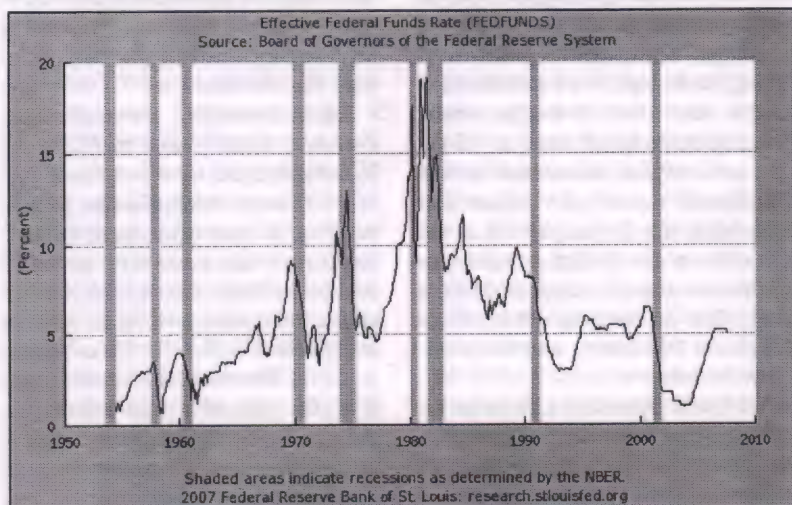
The big issue is whether inflation will remain low enough for the Fed to get away with it. As Greenspan notes in his new book *The Age of Turbulence* (extracts of which were published in *Newsweek* magazine on 24 September 2007) the historically low level of inflation was the underlying reason that the US economy was able to avoid severe recession by cutting rates in 1998 and in 2001. The reason for these strong deflationary conditions, as Greenspan notes and as is obvious to every observer, was the vast expansion of cheap goods imported from China and Asia, itself a product of a world historic political event; the counter-revolution and restoration of capitalism in China and the former USSR in the early 1990s.

So how much longer will these conditions persist? Greenspan himself thinks they are already drawing to a close. Noting that these "globally subdued price and interest rate pressures are exceptionally rare", he says:

"China's wage-rate growth should mount, as should its rate of inflation. The

first signs are likely to be a rise of export prices, best measured by the prices of Chinese goods imported into the United States. Falling import prices from China have had a powerful effect. They have suppressed the prices of competing US-made goods and contained the wages of any who compete against the workers who produce the goods that vie with the Chinese imports. Accordingly, an easing of disinflationary pressures should foster a pickup of price inflation and wage growth in the United States. It should be noted that import prices from China rose markedly in spring 2007 for the first time in years...If my suppositions about the nature of the current grip of disinflationary pressure are anywhere near accurate, then wages and prices are being suppressed by a massive shift of low-cost labour, which, by its nature, must come to an end. A lessening in the degree of disinflation suggested by the upturn in prices of US imports from China in spring 2007 and the firming of real long-term interest rates raise the possibility that the turn may be sooner rather than later. So at some point in the next few years, unless contained, inflation will return to a higher long-term rate."

The threat of inflation is no shibboleth, no mere ideological obsession of the dominant conservative economists and policymakers. Whilst US inflation fell slightly in August, dipping by 0.1 per cent after a sharp drop in energy prices over preceding months, oil prices have been climbing again very sharply and this is a clear overall trend. In mid-September, oil prices hit a record \$81 a barrel. OPEC efforts to hold down prices by expanding production are unlikely to prevent further rises. The BBC quoted investment





bank Goldman Sachs as saying "We believe that this will be too little, too late, barring an outright collapse in demand, and now expect inventories to draw to critical levels this winter", predicting that oil prices will reach \$85 a barrel by the end of 2007. Food prices are also soaring. On 12 September wheat prices hit a record \$9 a bushel mark for the first time.

These price rises are fuelling inflation in China, too. The People's Bank of China raised interest rates on 19 September to 7.02 per cent from 6.84 per cent after inflation reached 5.6 per cent in July, the highest recorded annual inflation rate since February 1997. The price of pork and other meat rose 49 per cent over the 12 months to July, warned the National Bureau of Statistics. China's 11.9 per cent growth rate in the latest quarter will only drive inflation higher.

The problem for the US, EU and British fiscal and monetary policymakers is that they cannot now act to squeeze the inflationary pressures out of the system. They were hoping to do so with a series of gentle interest rate raises, but the banking and credit crisis has stopped them from doing so. It was the credit markets' fear of the impact of rate rises on the US housing market that drove the credit crunch, which in turn threatened a collapse of the banking system unless policy was reversed. This explains Bernanke's *volte face*; it also explains the humiliating U-turn of Mervyn King, the Governor of the Bank of England. He held firm all summer, and even in early September ruled out injecting liquidity into the UK banking system because "the provision of such liquidity support undermines the efficient pricing of risk by providing ex post insurance for risky behaviour. That encourages excessive risk-taking, and sows the seeds of a future financial crisis." By 19 September he had been forced into a 180 degree turn, pumping £10 billion into money markets to try to drive down the "Libor" inter-bank interest rates.

As Alan Clarke of crisis-hit French bank BNP Paribas told BBC Online, "Clearly the financial market situation has deteriorated to the point that the slowdown implied for the economy is

more severe than the Bank had seen as desirable."

The impact of maintaining a counter-inflationary stance this summer would have been politically as well as economically unacceptable for the US and British bourgeoisie. Both Bush and Brown are facing elections, Bush in November 2008 and Brown probably some time between the autumn of 2007 and next summer. The idea of compounding the unpopularity of the Iraq and Afghanistan wars at home with the high profile collapse of one or more financial institutions, with all the potential for social disorder that that implies, was too much for the White House and Downing Street, as well as for the key figures in bourgeois economic strategy. But they cannot delay indefinitely, and they know it.

## CAPITAL AND CRISIS

For Marxists, the underlying cause of both credit crunches and crises lies in the deep contradictions at the heart of the capitalist system.

At a general, simplified, level, the problem can be seen in the whole way capitalists accumulate wealth. At the heart of production lies the relationship between the capitalist and the worker. Capital is not an independent factor of production; in reality, all the profit the capitalists earn stems from human labour that the capitalists own and control. A worker receives in wages not the value that he or she adds to goods or services in production, but roughly what it takes to stay alive and get back to work week after week. The difference between the two values is surplus value; it is the source of profit and the capitalist appropriates it all.

As capitalists compete with one another, they use various methods to boost profit; one is to raise productivity by introducing more advanced machinery. But, over the years of any given industrial cycle, this creates unbalanced development. Because each capitalist is trying to outdo the other (and because of misleading price signals that arise from the operation of the credit system) the way capitalists raise labour productivity starts to undermine the very basis for profitable accumulation in the future. As living labour forms a reducing component of capital relative to technology and other factors, the rate of profit comes under downward pressure. This eventually results in a crisis of overaccumulation:

the startling fact is that, under capitalism, although billions languish in poverty, there is too much capital, too many commodities, too many workers employed and too much money. This is what the capitalists' own theorists are grudgingly forced to acknowledge when they speak confusedly of an "excess of liquidity", or of the need to "re-price risk downwards". Of course, there isn't "too much" value in any objective sense, it is just more than can be applied profitably given the pressure on the rate of profit. When there is overaccumulation of capital, ultimately some capital must be destroyed ("devalued") to restore the conditions of profitable accumulation.

This tendency towards overaccumulation and breakdown can be offset by a range of factors like lower food prices, faster turnover times, expanded world trade and so on. However, as we have seen in the case of Chinese exports and inflation, none of these factors can fend off overaccumulation forever.

At a more complex level, we have to take the credit system into account. As competition heats up in the expansionary phase of an industrial cycle (the 7- to 10-year cycles of stagnation, recovery, expansion, speculative fever, crisis, slump that characterise the history of capitalism), capitalists fuel their expansion ever more by reliance on loan capital, credit or investment in an equity stake in the business (share capital). Relying on a cut of future profits deriving from future exploitation of the working class, the parasitic capitalists of finance and credit develop ever more complex methods and instruments that increasingly detach themselves from the real underlying economic activity on which they are supposedly based. Collateralised Debt Obligations are just a startling example of these forms of fictitious capital. We should be aware, as against liberal theorists who want to tame capitalism by discouraging "bad lending", that fictitious capital plays a necessary role in the expansionary phase of each cycle. Because capitalism is a market system, not a democratic plan of production, money is necessarily advanced to fund production before profits are realised. A disjuncture between the anticipated returns and the actual value of goods or services produced and sold is inevitable.

This leads inexorably towards a credit crunch as overaccumulation brings a sudden adjustment back towards the

**"Clearly the financial market situation has deteriorated to the point that the slowdown implied for the economy is more severe than the Bank had seen as desirable"**  
Alan Clarke



actual values. There is a rush out of fictitious credit, loans, shares, bonds and strange "derivatives and instruments" towards the higher quality measures of value: money, preferably money backed by a strong state. The banks call their debts back in, crushing companies, bankrupting investors, throwing workers and whole communities onto the scrapheap. Then, when asset values have fallen sufficiently, they start to buy them up again on the cheap, ready for the time when profitable accumulation resumes and the industrial cycle recommences its upward path.

Finally, we need to take into account the real social, political, national and international terrain on which these crises take place. When a crisis and devaluation strike, the first thing the capitalist thinks is how he can make others pay the cost. This means a real destruction of real capital in real places on the ground. The struggle then turns to the question of who is going to get it in the neck and where.

As investors and financiers dump funny money and turn to the real thing, attention focuses on the stability of the various national currencies. Each state has to prop its currency up, if necessary at the expense of others. Today, in a period of heightened international tensions, with the dollar very weak because of the USA's historically vast trade deficit, and with the USA owing over \$4 trillion in external liabilities, there can be little doubt that a global crisis of devaluation would inflame international rivalries still further.

Either the US and British capitalists would once again succeed in rebalancing the world economy by "switching" the crisis into another zone such as the Far East or even China itself or, more dramatically but perhaps more likely, the world would sink again into protectionism as the USA, the EU and the Asian countries each tried to manage the effects of a global deflationary collapse.

In the early 1990s, the USA was able to force Japan and Germany to bear the brunt of the devaluation of capital. Japan went into a long recession; negative interest rates annihilated (devalued) the savings of millions of middle class Japanese. Germany languished in a long slump with mass unemployment from which it is only now slowly starting to emerge.

The problem they face today is that the collapse of house prices in the USA is

inevitable. This time the devaluation will be keenly felt in the heartland of global capital.

When the US Federal Reserve can no longer stave off crisis, can no longer rely on low inflation to cut interest rates, it will reluctantly turn to the alternative. Although inflation is itself a form of devaluation of capital, the bourgeoisie rightly fear it because it socialises devaluation, makes everyone aware of it across the whole of society, and focuses opposition to it not on this or that capitalist but against the government and the financial institutions: in short, against the state. Therefore, faced with this possibility, they will react against it as they did in the late 1970s and early 1980s. Like Paul Volcker, Chairman of the Federal Reserve in 1978, they will raise interest rates sharply, to what Marx called "a level of extreme usury". In Margaret Thatcher's words "the weak will go to the wall".

The reason the world's politicians, bankers and financiers are so afraid to do this is that they sense the possibility of a large scale crisis, a crisis of globalisation. One that would smash to smithereens their lie that globalisation has brought us a wonderful new pattern of crisis-free development, and pitch the world into a new period of intense attacks on working class people and sharpening rivalries between the capitalist powers.

All the more reason for the working class to resist now. From the fight to defend public sector pay and jobs, the fight for public services, the fight to preserve social gains, union rights, welfare and health provision, to the fight to defeat the occupations and war drives of imperialism in the Middle East, central Asia and Africa, we must understand that we are not just fighting to stop the capitalists running down our living standards today, but to prepare for a great offensive when the crisis comes.

The expansion of capitalism in the East, and the credit fuelled booms in the US and Britain, have not opened a new paradigm of long crisis-free expansion; on the contrary, they have expanded and intensified the contradictions of global capitalism. The working class must prepare for a crisis of globalisation in the years ahead, and global organisation is the key. The purpose of Marxist analysis of the motion of the international economy is not to predict this or that outcome in the class struggle, not to foist our own tasks onto the historical processes

through "optimistic" hopes or to abandon our posts through superficial pessimistic assessments of capital's "strength" and "growth", but to prepare the working class for struggle.

Our message must be: a crisis of globalisation is certain at some time in the years ahead; we must convert resistance to each offensive of capital into a globally directed and coordinated assault on the rule of capital itself.



# From Mao to the market

## *How the Chinese Communist Party brought back the capitalists*

As the Chinese Communist Party prepares for its 17th Congress, the country is approaching the 30th anniversary of the 1978 reforms which led to the restoration of capitalism.

**Peter Main** reviews the strategies adopted by Beijing since then, and the social and economic consequences of capitalist restoration which have given China a pivotal role in the world economy while sowing the seeds of a domestic class conflict whose outcome, he argues, will be as important for this century as the Russian revolution was for the last

In December 1978, the 11th Congress of the Chinese Communist Party (CCP) adopted a programme of economic reforms which brought to an end an internal factional conflict that had racked the party for more than 25 years. The reforms signalled the victory of Deng Xiaoping who had only recently returned from internal exile but was now recognised as the "paramount leader". Before turning to the consequences of the reform programme, we begin with a brief overview of the changing strategies of the CCP since the seizure of power in 1949 and the issues that had divided the leadership for so long.

Unlike VI Lenin, who famously proclaimed, "We shall now proceed to construct the socialist order" when the Bolsheviks seized power in 1917, Mao Zedong came to power at the head of a party committed to "a policy that is concerned with private and public interests, that benefits the bosses and workers, that encourages mutual aid between our country and foreign countries in order to develop production and bring prosperity to the economy".<sup>1</sup> Put briefly, the party had a "popular front" programme that envisaged the capitalist development of the country under a governmental alliance between the CCP and the "patriotic bourgeoisie", those who had not sided with Chiang Kai-shek's Nationalists in the latter stages of the civil war. In keeping with JV Stalin's "stages theory", it was held that socialism would only be possible after capitalism had developed the productive forces to the necessary degree.

However, between 1951 and 1953, in the context of the Korean War, economic blockade and massive US aid to Chiang's forces which had occupied Taiwan and were renewing their links with the bourgeoisie and landlords still in China, the government found it necessary, both

politically and economically, to impose more and more restrictive measures upon its erstwhile allies. By 1953, through legally imposed fines that amounted to expropriation, it had effectively nationalised all modern industry and communications that had been in private hands. In the countryside, land reform eradicated the landlords as a class. In order to protect the national economy from being undermined by the importation of cheap foreign goods, and to prevent the development of any political ties via international commerce, a state monopoly over foreign trade was also established.

Economic development would now take place in accordance with centralised planning, largely based on the model of the Soviet Union. As in the USSR, a privileged bureaucratic caste excluded the working class from establishing the priorities and methods of economic development under planning. Consequently, despite the defeat of the capitalists, the road to socialist development, by which Marxists mean the development of a society based on democratic planning and the political rule of workers' councils, remained blocked. On the contrary, the new political and economic regime increased the power of the Communist Party and consolidated it as an absolute barrier to working class emancipation and, therefore, any development towards socialism in China. As in all essentially Stalinist states, the road to socialism could only have been opened by the revolutionary overthrow of the Communist Party's dictatorship.

Thus, China was, in Trotskyist terminology, a degenerate workers' state.

The next 25 years were characterised by a permanent conflict between two wings of the party leadership. One of these favoured an economic policy that would allow a relatively free market in



agricultural and light industrial goods, reminiscent of Nikolai Bukharin's programme in the mid-1920s in the Soviet Union, while the other, led by Mao Zedong, feared that this would undermine the party's dictatorship and favoured a greater emphasis on centrally planned industrialisation, supported by mass mobilisation, clearly modelled on the experience of the first five year plan in the Soviet Union.

The effects of these inner party conflicts could be seen in the violent zigzags of official policy. The initial adoption of planning was actually followed by three years of relatively benign tolerance of the market which were then followed by the political relaxation of the Hundred Flowers Campaign. That, however, encouraged anti-bureaucratic political currents and, in the aftermath of Nikita Khrushchev's denunciation of Stalin, an abrupt change of line led to political repression and then the mass mobilisations of the Great Leap Forward. Within two years, that ended in economic disaster and widespread famine in the interior and was itself followed by a return to a greater reliance on market forces, especially in the countryside. Thereafter, the equally misnamed Great Proletarian Cultural Revolution of the 1960s marked Mao's attempt to mobilise the masses against his opponents in the party. When workers in Wuhan took up his call to "bombard the headquarters" all too literally, their rebellion was crushed by the People's Liberation Army (PLA) which, from then on, played a central role in directing industry.

By the 1970s, the resultant of these bureaucratic struggles was a planning system that was never as centralised as in the Soviet Union but in which heavy industry was seen as the priority sector and production targets were established by the plan which also regulated exchanges between producers. The prices of goods were also set by the planners. In agriculture, production was organised by the People's Communes, which were essentially local government, in accordance with centrally established targets.

Even before Deng Xiaoping initiated the market reforms which fundamentally altered the direction of development of the Chinese economy, China's leaders had recognised the need to turn away from the virtual economic autarky that had characterised the last 10 years of the

rule of Mao Zedong. At that time, foreign trade was worth approximately 5 per cent of GDP and constituted less than 1 per cent of all international trade. Within months of Mao's death in September 1976, a new leadership, under Hua Guofeng, was proposing a 10-year economic development plan that was to be paid for by increased foreign currency earnings. The plan itself had a characteristically Stalinist emphasis on giant projects

**The "Third Plenum" of the 11th Central Committee in 1978 adopted the "reform" programme that was aimed at stimulating the economy by a greater reliance on market incentives**

to develop heavy industry using the latest technology imported from the West. This was all to be paid for by increased exports, particularly of oil and petroleum, production of which had been increasing steadily by 15 per cent per year for the previous decade.<sup>2</sup> This emphasis on finding a route to rapid economic growth through foreign trade led to the plan becoming known as the Great Leap Outward.

At the same time, a significant degree of political relaxation and a rationalisation of industrial projects that had been initiated, but not completed, during the Cultural Revolution also contributed to a significant increase in production. The overall effect was to increase the growth rate in Net Material Product from an average barely above 4 per cent between 1970 and 1976 to a little over 10 per cent in the period 1976-78.<sup>3</sup> Encouraged by such figures, negotiations with foreign suppliers for a total of \$40 billion<sup>4</sup> worth of imported technology, prioritising steel mills, power plants and fertiliser plants were opened. However, as with its predecessors both in China and in the Soviet Union, over-optimistic and voluntaristic targets and projections began to proliferate while, at the same time, the prospects for foreign exchange earnings in the oil industry became steadily less optimistic; despite extensive exploration and test drilling, no major new reserves were located.<sup>5</sup>

By mid-1978, having already committed themselves to \$7 billion worth of contracts, the leadership was faced with a looming balance of payments crisis. Their dawning realisation that the plan could never be implemented and that, therefore, their own prospects of maintaining a grip on political power were bleak, was the backdrop to the decisive

meeting of the leaders of the CCP, the "Third Plenum" of the 11th Central Committee in December 1978.

This was the meeting that effectively established Deng Xiaoping as the "paramount leader" and adopted the "reform" programme that was aimed at stimulating the economy by a greater reliance on market incentives. The actual proponent of the plan was Chen Yun, a veteran economic policy leader who had also overseen economic salvage operations after the Great Leap Forward and the Cultural Revolution. The measures introduced were not entirely novel. In the industrial sector, plans to encourage efficiency and productivity by extending greater autonomy to plant managers had also been tried in the Soviet Union some 10 years earlier but had proved insufficient to overcome the inertia of bureaucratic planning; much the same fate awaited the Chinese version. In the agricultural sector, the decision to reduce the percentage of the crop compulsorily delivered to the state, while increasing the "procurement prices" paid by the state and allowing a free market for all other produce, echoed both the New Economic Policy of the Soviet Union in 1921 and the measures introduced to overcome the famine that resulted from the Great Leap Forward in China in 1962.

## KEY PLAYERS

Whether or not Deng Xiaoping, Li Xiannian and Chen Yun, the key players in the new leadership, were already at that time consciously committed to the restoration of capitalism cannot be known, but the policies adopted over the subsequent decade and more suggest not. What is clear, and in keeping with their character as Stalinist bureaucrats is that they had one goal from which they never, ever, wavered: to retain political power in the hands of the CCP, irrespective of the class character of property relations in China. The continuity of the party regime, however, should not be allowed to obscure a clear perception of the changing social content over which the regime ruled.

The "reforms" introduced in the late 1970s and implemented throughout the 1980s were not intended to dismantle the planned economy but, on the contrary, to provide rapid inputs and stimuli that would strengthen and dynamise it. However, the cumulative effect of the reforms was to develop a parallel econo-



my, not subject to the plan, which rapidly developed a life of its own principally because it was able to provide goods and services that the overemphasis on heavy industry and the bureaucratic planning of agriculture had long denied the Chinese people. As this sector grew, so it laid the basis for further experimentation, further relaxation on the controls over markets and entrepreneurs and greater preparedness to use to the resources of the planned sector to promote its growth.

Inevitably, as market forces were strengthened and began to distort and undermine the coherence of the planned sector, this stimulated political activity and an increasingly public discussion over the future direction of the country. Any such discussion constituted a direct threat to the dictatorship; indeed, it was technically illegal since the Constitution itself laid down the leading role of the party. As a result, even though the Democracy Movement was so widespread that its influence reached right into the upper echelons of the bureaucracy, its existence was intolerable for the leadership as a whole.

The breaking point came at the end of the 1980s when the student protest in Tiananmen Square began to attract active support from newly formed workers' organisations both in Beijing and further afield. The Tiananmen Square massacre, and the countrywide repression that followed it effectively wiped out any political opposition and reinforced the party's dictatorship. Once this had been secured, however, the leaders changed their overall strategy and decided to eliminate the remnants of the planned economy while maintaining their dictatorship, but now over a capitalist China.

### THE CAPITALIST ROAD

That the reform programme initiated in 1978 would entail the development of capitalist elements within China was well enough known to those who took the decision. Deng himself had been famously denounced as a "capitalist roader" by Mao Zedong because of his support for market reforms in the 1960s. His equally famous retort that it did not matter if the cat was black or white so long as it could catch mice, perhaps accurately expressed Deng's equivocal attitude to the defence of post-capitalist property relations. Although he understood that economic

growth was an imperative, his primary objective at all times was to maintain the party's hold on power. His "reforms", however, did not only involve the re-emergence of capital and capitalists within China but also encouragement for the return of the Chinese bourgeoisie and an invitation to capital based in the imperialist metropolises.

At the beginning of this "reform" period, virtually all imports and exports were channelled through the state's foreign trade companies, with oil the single biggest item for export.<sup>6</sup> Between 1978 and 1985, exports of crude oil and refined petroleum trebled to 36 million tonnes, worth some \$6 billion. This, however, marked the high point and exports declined in both volume and value thereafter. This was in part because the domestic economy was being restricted by the volume of exports that had taken 98 per cent of all increases in oil production since 1978.<sup>7</sup>

Other primary products, that is, non-manufactured goods such as bulk food-stuffs, tobacco, minerals and animal and vegetable oils, which were also controlled centrally, together with oil, accounted for more than 50 per cent of all exports in this period, a continuation of the pattern established in the 1960s. After 1985, this pattern changed with a steady increase in the importance of manufactured goods which, by 1991, accounted for over 77 per cent of all exports by value.<sup>8</sup> The significance of this is that manufactured goods were increasingly produced outside of the centrally planned economy either in the Township and Village Enterprise (TVE) sector or the Special Economic Zones (SEZs). Moreover, although these goods were still marketed by state authorities, a policy change in 1984 had allowed the creation of new foreign trading companies at provincial and municipal level and, because these were essentially autonomous bodies, this effectively removed the goods under their control from the centrally administered foreign trade plan. One immediate effect of this change was to accelerate the consolidation of a pricing regime determined by competition on the world market. A second was to put growing volumes of foreign currency earnings at the disposal of agencies which were difficult to control from the centre.

The Township and Village Enterprise (TVE) sector is the name given to the ini-

tially small-scale firms that grew out of the Communes' workshops and small factories. At the beginning of the reform period there were some 28 million of these. Most provided support to agriculture in the form of farming tools, food processing, household goods, clothing and footwear, but Mao's policy of decentralisation meant that some operated on a larger scale such as hydroelectric power generation, metalworking and cement production. They were officially classified as state-owned and had access to state resources but were not included within the planning system.

### FARMING

The effective return to family farming after 1978 had major implications for this sector. Local officials were encouraged to continue making use of resources to "aid agriculture" and the steady increase in peasant income, together with the increase in marketable produce, stimulated the development of such workshops into more dynamic enterprises. The combination of rising demand for farming and household goods, food processing, construction materials and transport, together with access to cheap credit either from state banks or from the Rural Credit Co-operatives, and wage rates less than 60 per cent of those in the industrial sector, ensured rapid growth. Some idea of the context in which this growth took place can be gained from the proliferation of rural markets from 38,000 in 1980 to 67,000 by 1993.<sup>9</sup>

Economically, the significance of the TVE sector was that, despite their officially collectively-owned character, these enterprises increasingly operated as capitalist firms which both accumulated capital and established market prices for many goods across China, including many that entered into the planned sector. By 1996, there were 135 million firms in this sector and their proportion of GDP had increased from 6 per cent in 1978 to 26 per cent of a hugely increased total by 1996. In that year, "collectively owned" TVEs employed 60 million workers, approximately 50 per cent of the total, with the remainder self-employed or in "household and private" firms. Since then, however, overt privatisation has reduced the "collectively-owned" share to 10 per cent.<sup>10</sup>

This, therefore, was the sector out of which developed a new capitalist class



within China. Although they undoubtedly benefited from their origins in the state sector and from privileged treatment from local state and party officials, for the last decade and more these capitalists have had to hone their business skills in order to operate not only on the wider national market but also internationally. Particularly in Guangdong they have become an important conduit for Hong Kong capital seeking to invest in the mainland.<sup>11</sup>

### SPECIAL ECONOMIC ZONES

Like other elements of the reform programme, the creation of SEZs, that is, geographical areas within which foreign capital was allowed to operate and the laws governing economic activity elsewhere in China did not apply, were not a uniquely Chinese idea. In fact, what were referred to as "concessions" to earn foreign currency, technology and know-how were part of the economic programme of the Left Opposition in the Soviet Union in the 1920s, although in that programme the need to maintain the state monopoly of foreign trade was certainly insisted upon (alongside democratic planning, and the revival and political rule of workers' councils, i.e. soviets). More immediately, what became known as Export Processing Zones had been established by a number of other Asian countries; ironically the first was in Taiwan.

The first four SEZs in China were situated on the coast close to Taiwan and Hong Kong. Apart from the obvious geographical advantage of easy import and export, the locations were strategically significant because they were consciously intended to facilitate investment from Taiwan and Hong Kong. Although the capital attracted from these sources is referred to as "Foreign Direct Investment" (FDI) it is politically essential to recognise that this was an invitation to the Chinese bourgeoisie to return to the mainland. The development model for the SEZs was that investors would be expected to import their own raw materials and production facilities and what they produced would be exported. The SEZ authorities provided the infrastructure and energy requirements and, of course, the labour, at attractive rates. These arrangements confirmed the intention, at this time, to maintain a strict demarcation line between the SEZs

and the mainland economy.

Particular mention should be made of Shenzhen in the province of Guangdong, the SEZ closest to Hong Kong. From the start, it was intended to be more than a simple manufacturing enclave, and would include housing, shopping facilities, leisure provision and tourist attractions aimed at attracting visitors from Hong Kong. It covered an area of nearly 330 square kilometres while the other three SEZs did not add up to 10 square kilometres between them. Trade between Guangdong and Hong Kong was already well-established and the provincial authorities had lobbied for the creation of such a zone even before the national turn towards market reforms. In other words, it was in this region that the Chinese bourgeoisie had managed to establish (perhaps retain would be more accurate) a foothold and were already able to influence central government policy. The longer-term significance of establishing the zone on this scale was that, once it became established, it exerted a powerful influence over the rest of the province, pulling in labour, for example, not only to work in production but also in the construction and service sectors needed to maintain and extend the zone itself.

In their first four years of operation, the SEZs were not particularly successful. However, their potential for attracting FDI, much of which could be retained locally, was not lost on the authorities in other provinces and cities. It is perhaps significant that the ensuing policy debate over whether to extend the rights and powers of the SEZs, and to increase their number, was settled in 1984 by a visit to Shenzhen by Deng Xiaoping, who pronounced the city a success. Following this, new SEZs were established and similar rights were extended to 14 "open cities" including, very importantly, Shanghai, historically the country's primary trading port.

Proponents of the export led strategy had argued that the SEZs' slow development had been caused by a combination of limited size and their continued lack of credibility in the eyes of potential investors. The results of this change of policy appeared to confirm their views. Actual FDI, which had amounted to some \$1.4 billion in 1984, rose to \$2.2 billion the following year and by 1992, the last year of the reform phase, reached \$11.2 billion.

### FOREIGN DIRECT INVESTMENT

There were two main sources of this capital during the reform phase: the targeted overseas Chinese of Taiwan, Hong Kong and Macau who provided some \$2-3 billion per year until 1991 after which there was a rapid increase to some \$9 billion in 1992, and the three main imperialist blocs, the US, EU and Japan who, between them, were responsible for approximately \$1 billion per year.<sup>12</sup> In other words, the capital that was exploiting cheap Chinese labour was not, for the most part, from the major imperial powers. It was primarily from the Chinese diaspora, that is to say, those elements of the Chinese bourgeoisie based outside of the country.

This steady increase in investment had a considerable impact on production and output. Exports from Foreign Invested Enterprises (FIE's), which had previously been negligible in China's overall foreign trade, accounted for 1.1 per cent in 1985. By 1988 they had reached 5.2 per cent and by 1992, had risen above 20 per cent. Moreover, by that year they accounted for 60 per cent of the annual increase in manufactured exports.<sup>13</sup> For a government committed to an export-led development strategy, it was by now clear that this was a sector which could, as it were, produce the goods. At the same time, it should be noted that the importance of FDI was not that it was the only source of funding (China's domestic savings rate was high enough to cover the costs of investment) but that it was the only route to new technology, advanced management techniques and an understanding of foreign markets and their requirements. Lastly, we should again note that, despite their categorisation as "foreign", most of these enterprises were owned by the Chinese bourgeoisie.

By 1992, the overall impact of the expansion of the zones and the "open cities" was clear to see. The total population within the zones was now 160 million, approximately the combined size of France and Germany. Because all the zones were still located along the coast, they were effectively an economic entity in their own right within which strict demarcation lines between different categories of enterprise, joint ventures, FIEs, TVEs and even state-owned enterprises came to be more honoured in the breach than the observance.

As a result, although there were still





A peasant goes to the city to find work

extremely important inputs from the planned sector of the economy, for example, materials for the construction and civil engineering industries, power and some port facilities, relations between different firms were increasingly market relationships. Necessarily, the development of what were, for all their imperfections, essentially capitalist firms, also meant the development of a class of capitalists and a layer of increasingly skilled managers who were closely integrated into the trading systems dominated by the Chinese bourgeoisie in Taiwan and Hong Kong.

Importantly, however, the role of the party remained central. Party secretaries were the key figures in facilitating developments, easing bureaucratic obstacles, ensuring credit facilities from state banks and so on. This meant that the state had direct linkages throughout this sector that gave it the potential to insist on its priorities should developments threaten them. The emergence of mainland-based firms which illegally exported capital to Hong Kong, or tax havens such as the British Virgin Islands, in order then to reinvest in China with all the advantages allowed to foreign capital ("round tripping") underlines the increasingly sophisticated linkages between the coastal provinces and overseas business interests, mediated by the émigré Chinese bourgeoisie certainly but undoubtedly with the connivance of senior party figures, at least at provincial level.

Because firms could retain a percentage of the foreign currencies they

earned, but still had to trade internally with the national currency, the yuan, unofficial trading of foreign exchange for yuan soon developed on a large scale. In order to gain some degree of control, Beijing allowed the creation of "swap centres" in 30 towns and cities to facilitate currency exchange and, because the yuan was officially worth much more than it could buy internationally, the centres created an unofficial, but more meaningful, exchange rate.

### IMPACT OF REFORMS

By the late 1980s, then, the reforms related to foreign trade had played a major role in weakening the three essential and interlinked features of China's post-capitalist economy: state ownership of large scale industry, its subordination to planning and the state monopoly of foreign trade.

Where there had previously been no significant area of production that was privately owned or autonomous from the state, there was now a thriving and increasingly integrated capitalist sector alongside and, to a great extent interpenetrated with, the planned sector.<sup>14</sup> By definition, production in the SEZs, FIE's, TVEs and the small, but growing, private sector, took place outside of the plan but that did not mean that it was entirely separate from production in the planned sector. On the contrary, precisely because planning priorities were subordinated to the political priorities of the state and the state was committed to the export-led development programme and support for the new enterprises, production in the planned sector was increasingly skewed towards their needs. The increasing autonomy granted to the managers of the state-owned sector also encouraged them to make their own deals, especially with TVEs. Lastly, the state monopoly of foreign trade, whose maintenance was essential to allow the national economy as a whole to be developed in accordance with political priorities rather than be dominated by the international law of value, had practically ceased to exist for the most economically advanced parts of the country.

The existence of two mutually incompatible economic systems naturally led to gross distortions, not to mention opportunities for corruption and nepotism. Dual pricing systems, dual foreign exchange systems, local investment decision making alongside central planning

directives, all generated conflicting interests and, therefore, conflicting views over the future direction of policy. In short, the effects of the reforms provoked a public political debate that could not be contained within the ranks of the party. This was the origin of the Democracy Movement that grew from the mid-1980s and penetrated into almost every corner of Chinese society. The suppression of that movement, initially, and most dramatically, in Tiananmen Square but more widely and systematically in the countrywide repression that followed the massacre, made clear the limits that the party would tolerate and the lack of a coherent political opposition.

For two years, China's economic life appeared to have been thrown back as the leadership, headed by Li Peng, used not only the repressive apparatus and the ubiquitous party machine to hunt down and suppress dissent but also the still considerable economic levers of the state sector to drive down inflation, restore price controls and dictate procurement and distribution. On the face of it, the new emphasis indicated a victory for those elements in the party and state who had been reluctant to support the whole reform programme and now saw an opportunity to restore heavy industry and the state sector in general to pride of place. However, this could no more solve the problem of increasing export earnings or accessing new technology now than it could in the 1970s. Behind the scenes, the evident ability of Beijing to restore "order" encouraged a resumption of investment from Taiwan and Hong Kong, although it remained low from the imperialist countries. By 1991, as the rapid increase in investment from Hong Kong, Taiwan and Macau already referred to shows, a new surge in economic growth was gathering pace, inevitably in Guangdong.

Once again, it was a visit by Deng Xiaoping during his "Southern Tour", in which he praised the successes of Shenzhen and declared that getting rich was glorious, that signalled the top leadership's decision not only to maintain the reform programme but to use their strength and monopoly of state power to dismantle the planned economy and consciously restore capitalist property relations.

The formal change of policy came at the 14th Congress of the party in

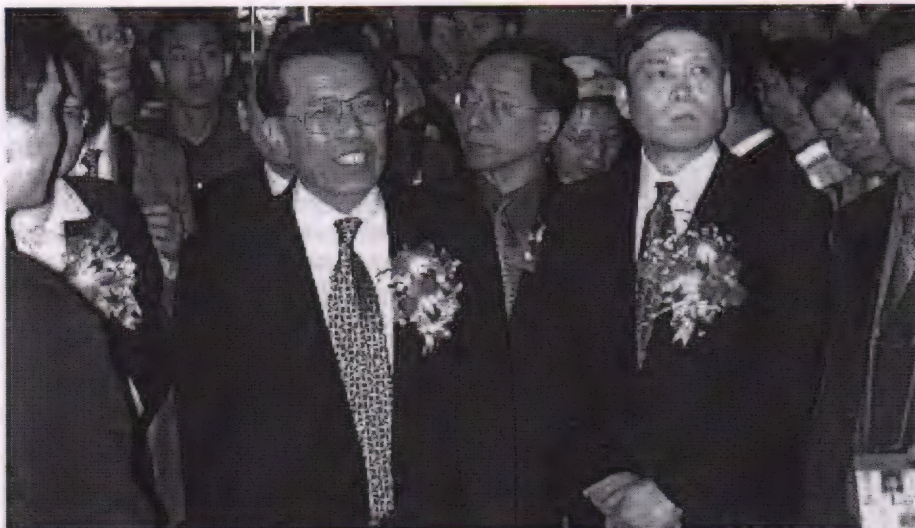


October 1992 when the proponents of the new policy succeeded in removing their conservative opponents from the leadership, purging fully one third of the membership of the central committee in the process. This Congress marked the qualitative change in the character of the state in that, from this point on, the dismantling of the planned economy and its replacement by capitalism was a conscious goal. Although the fulfilment of that policy required several years of preparation, since the state is defined by the class whose property interests it defends and promotes, from then on, the Chinese state can only be understood as a bourgeois state.

Although Deng Xiaoping remained in the background as the "paramount leader", political leadership now passed to the party General Secretary, Jiang Zemin, and his head of economic policy, Zhu Rongji, who later became President and Premier respectively. Clearly, the new programme of the CCP could not openly be declared as the restoration of capitalism. Instead, it was presented as a new road to socialism, the "Socialist Market Economy" also sometimes referred to as the "socialist commodity economy". In a Central Committee resolution the following year, Jiang himself defined the objective as "enabling the market to play the fundamental role in resource allocation under macro economic control by the state".<sup>15</sup> If we try to make sense of this self-contradictory formulation, in which, although resources are allocated by the market, nonetheless there is macro-economic control by the state, we are reminded of Leon Trotsky's observation that the Stalinists of the Soviet Union made the mistake of identifying themselves with the revolution. In the case of China, Mao's successors have identified "socialism" with the continuation of their own rule. The real content of the formula, therefore, is "capitalism under one-party dictatorship".

## WORLD TRADE ORGANISATION

If the reform period from 1978 to 1992 was one in which increasing openness to the world market led to the internal transformation of China, the decision to restore capitalism opened a period in which China's development began to transform the world economy. Although the consequences of economic reforms within China were obviously a major fac-



Huang Huahua, governor of Guangdong and Sun Zhenyu, China's first ambassador to the WTO

tor in the decision of the 1992 party congress, so also was the international context. The years after the Tiananmen massacre also saw the collapse of Stalinist rule in the Soviet Union and Eastern and Central Europe. To varying degrees, popular democratic movements, reminiscent of the Democracy Movement in China, challenged the one-party dictatorships and, once it was clear that there would be no intervention from Moscow to prop up unpopular regimes, those Stalinist dictatorships were doomed. In their place, pro-capitalist forces, backed up by the Western powers and institutions such as the IMF and World Bank, set about the immediate dismantling of planning and the privatisation of state assets. This "Big Bang" policy led to an immediate collapse of production as supply lines were disrupted, factory managers sold off stock for whatever price they could get and then laid off workers as funds ran out. The conclusion drawn in Beijing was that the maintenance of political power required a controlled restructuring of the economy in which the large-scale industrial economy of the state sector would be turned into a range of autonomous industrial trusts, and these would, eventually, function as capitalist corporations.

Internationally, the collapse of the Soviet bloc left the USA as an unchallenged superpower. US imperialism responded by taking every advantage the new situation offered. American capital forced country after country to relax protectionist barriers such as import quotas or tariffs and "globalisation" entered the

international political vocabulary.<sup>16</sup> Given that the 1990s were also the decade in which the Chinese export trade, particularly to the USA, became an important factor in the global economy, it would be tempting to assume that these were just two sides of the same coin, a classic example of the Leninist model of imperialism in which US imperialist finance capital earned its super profits from the exploitation of the semi-colony, China. However, the proposition that global capital simply profited from the sudden availability of cheap labour obscures as much as it reveals.

Although at a very high level of abstraction it is possible to think in terms of "global capital" and "global labour", any degree of concretisation necessarily has to recognise that this global capital has to be disaggregated into actually existing capital which turns out to be based within the territories of particular states and those states are either imperialist or, generally speaking, semi-colonial. As we shall see, in the case of capitalist investment in China in the 1990s, the great bulk of it did not originate in the imperialist states and, therefore, China as a new source of superprofits did not play a prominent role in the fortunes of the imperialist states at that time.

Despite the obscure terminology, Beijing's declaration that its goal was now the creation of a "socialist market economy" was immediately understood by capitalists, both in China and abroad, as a signal that the opponents of further market reforms had been defeated and that, in time, even the industrial heart of



the economy would be "marketised". This strengthened the flow of FDI which, as we have seen, had already begun to pick up in 1991. In that year, China received some \$4.3 billion, representing just over 37 per cent of all capital inflows. (The bulk of the remainder, some \$6.8 billion, was accounted for by low-interest loans from international institutions such as the World Bank.) In 1992, this rose to \$11 billion (57.3 per cent) as investors responded to the carefully controlled flow of leaks indicating what the party Congress in November would decide. In 1993, the figure leapt to \$27.5 billion (70.62 per cent, note the declining significance of loans).<sup>17</sup> Although the lion's share continued to go to Guangdong, the CCP now began to relax controls on investment so that by 1995 all parts of the country were "open" and, for the first time, foreign investment was encouraged into new sectors such as real estate, power generation and retailing.

Although direct investment from the main imperialist powers did increase during the 1990s, the major sources remained the overseas Chinese of Hong Kong and Taiwan as well as in Singapore and Malaysia. Again, "round-tripping" accounts for much of this "imported" capital, especially the remarkably high level of investment in China from, for example, the British Virgin Islands.

While the big multinational corporations were attracted to China as a potential market, Chinese investors from Taiwan or Hong Kong were more concerned to transfer their own production facilities into mainland China to take advantage of cheap labour, a very relaxed regulatory regime and attractive tax breaks. For Hong Kong, which was by far the biggest source of investment,<sup>18</sup> transferring production over the border was not only simple but essential because its own success as a low-wage economy had outgrown itself. By investing in joint ventures in the TVE sector or the SEZs, Hong Kong businessmen could use their existing international trade links and develop their own capacity for more skilled specialisms, such as design, marketing and financial services, while greatly lowering production costs.

Within China, these developments ensured continued expansion of the TVE sector for some years at least. This was important because the sector continued to soak up surplus labour from agriculture where productivity had stagnated

since the mid-1980s. By 1995, TVEs are thought to have employed 128 million people. However, this proved to be the high point because, as more capital flowed in, the sector inevitably became less labour-intensive. Competition between firms and between municipal and provincial authorities kept costs low so that to prosper firms had to increase the scale of production. As in any capital-

**Beijing's declaration that its goal was now the creation of a "socialist market economy" was immediately understood by capitalists**

ist cycle of development, machinery began to replace labour. It is also significant that the 1990s saw a steady growth in the number of officially registered wholly private

firms, from 90,000 in 1990 to 1.76 million by the end of the decade.<sup>19</sup> These firms did not have any of the institutional advantages of the TVE sector. For example, credit was difficult to obtain from the state banks so the wholly private firms necessarily had to source investment from retained profits or through informal channels; their growth shows that this was increasingly possible.

By 1997, this "natural" cycle of capitalist development began to lead to bankruptcies in the TVE sector. This coincided with major changes in the state-owned sector which, over the next four years, shed some 27 million jobs.<sup>20</sup> This marked an important stage in the "capitalisation" of this sector as the number of enterprises was slashed from 262,000 to 159,000.<sup>21</sup> Although the commitment to breaking up the planned sector, covering, for example, heavy industry, power generation, mining and the oil industry, had been made in 1992, Beijing had been careful to avoid the kind of collapse experienced in the Soviet Union. Perhaps paradoxically, the announcement that the sector was to be broken up into autonomous corporations led to a rapid increase in investment and output. The explanation for this was that at every level managers and officials wanted to build up "their" plants in anticipation of future "privatisation". Because of the close links between state-owned industry and state-owned banks, mediated, as ever, by the party officials, they found little difficulty in securing credit to expand their facilities. In keeping with the norms of Stalinist economic planning, the only way they knew to increase pro-

duction was to build new capacity and take on new labour. As a result, the state sector expanded throughout the mid-1990s, with an increase in employment from 73 million in 1990 to 76.4 million by 1995.<sup>22</sup> The other side of this particular coin was that the state banks were saddled with an ever-increasing volume of "non-performing loans". Much of the increased production was destined for the TVE and SEZ sectors, where it effectively subsidised private capital.

Such practices, however, could not be so easily sustained once the actual break-up of state industry began to be implemented. This policy, guided by the slogan, "Hold on to the big, let go of the small", distinguished between large-scale, potentially profitable, plants, together with their immediate suppliers and end users, which were to be turned into autonomous trusts modelled on the Korean conglomerate corporations known as "chaebols", and obsolete or small-scale undertakings which were, essentially, left to fend for themselves. Many of these had been made to appear unprofitable by their managers who now proceeded to buy them at knockdown prices. Across the whole sector, however, the effect was a major shakeout of labour; according to David Harvey, employment dropped to 43.9 million by the turn of the century.<sup>23</sup>

The combination of closures in both the TVE and the state-owned sectors led to serious social unrest. In 1994 labour disputes had involved 77,794 workers; in 1997 this almost trebled to 221,000 workers; the following year it jumped again to 359,000.<sup>24</sup>

An even more severe shock was looming on the horizon. The South-East Asia crisis was triggered by the collapse of the Thai currency but rapidly spread to other economies as speculative investments were withdrawn. The crisis highlighted the inherent weaknesses of the IMF-imposed structural adjustment programmes and reliance on "hot money" attracted by favourable interest rates. Such funds could be far more easily withdrawn than the FDI invested in China's new industries. Almost overnight, companies went bankrupt, currencies plunged in value and output shrank. This had immediate consequences for China because the supply of components and raw materials was hit, the flow of orders for assembly plants shrank and potential foreign investors





Hu Jintao, President of China, alongside his wife and the Bush family

decided to withhold their funds until economic prospects improved.

## YUAN VALUE

China's response to this crisis was instructive. Although there were widespread fears, especially in the USA, that the yuan would be devalued as a short-term measure to maintain Chinese exports, a move which would have exacerbated the international effects of the Asia crisis, in fact Beijing reassured Washington that the official value of the yuan would be maintained in the interest of preserving stability. Formally, the currency was pegged to the value of the Hong Kong dollar but, since that itself was pegged to the US dollar, in effect, so was the yuan.

At the same time, a huge programme of public investment aimed at providing China with a modern infrastructure was launched. This reliance on state funding emphasised the continued importance of state ownership of the heart of the industrial economy. Even though it was no longer a planned economy, state ownership of the banks and of the major industries gave the Chinese leadership economic levers that other semi-colonial countries had been required to relinquish under the terms of IMF "restructuring programmes" and the so-called "Washington Consensus".

At the same time, the crisis reemphasised China's reliance not just on maintaining her exports but continually increasing them. Now, with the extra economic burden of the infrastructure programme, it became absolutely essen-

tial that a new boost be given to exports. Since 1986, China had been involved in negotiations to join the General Agreement on Tariffs and Trade, but these had been stymied by Western demands for the removal of restrictions on foreign imports. This reflected the changing balance of forces internationally. During the cold war, Poland and Hungary had been accepted into GATT as soon as they introduced piecemeal market reforms in the 1960s and 1970s, because that gave the imperialist powers a lever into the Soviet bloc. Now, much more far reaching commitments were demanded from China. These included opening all domestic markets to foreign trade, which, in the 1980s had been seen as a concession too far. Now, in the Uruguay Round that implemented the Washington Consensus, the stakes were raised even higher for countries that wished to enter GATT's successor, the World Trade Organisation. Now, China would not only have to dismantle all controls on imports but also allow foreign access throughout the economy so that multinational corporations could establish themselves on her territory, could buy out Chinese firms and even establish themselves in the financial services industry. Moreover, Beijing would have to relinquish controls over banking, and the banks themselves would have to sign up to international standards both for their accounting and for the ratios between deposits and lending.

The list of demands was certainly daunting but had to be measured against the export opportunities that member-

ship of the WTO would also bring. At the time, there were still important restrictions on how much China could export, for example, to the USA and the European Union. Equally, both the USA and the EU recognised that further "globalisation" required the involvement of China, not least as a political counterweight to India and Pakistan, both of which demonstrated their nuclear capabilities in May 1998. In the aftermath of the Asian crisis, negotiations accelerated and China finally became a member of the WTO in December 2001.

## SINCE THE WTO

It would be difficult to overestimate the significance of China's accession to the World Trade Organisation and of the timing of that accession. Up to this point, Beijing had undertaken the controlled restoration of capitalism behind a protective barrier of import controls, restricted trading rights and tariffs, and had continued to use state ownership and control of both industry and banking to achieve its political priorities. This meant that, while, in the coastal provinces, what was produced, where it was produced and how it was produced was largely determined by the world market, that is to say, in Marxist terms, by the law of value operating internationally, for the whole of the rest of China, resource allocation was determined by a combination of the domestic law of value and government diktat. By agreeing to the conditions of membership established in the Uruguay Round, Beijing was not only agreeing to allow relatively free access to domestic markets for foreign goods, with tariffs to be reduced from an average of 42 per cent to 15 per cent and goods no longer to be traded solely through state-owned companies, but was also, after a relatively short transition period up to 2007, allowing foreign penetration of the whole range of commercial and financial services. In other words, accession potentially opened the entire Chinese economy to the international law of value.

In theory, that would mean that firms producing for the domestic market would now have to compete with the products of the most advanced economies, opening the prospect that such firms could either be forced out of business or be taken over by multinational corporations. On top of this, the fledgling service industries, banking,

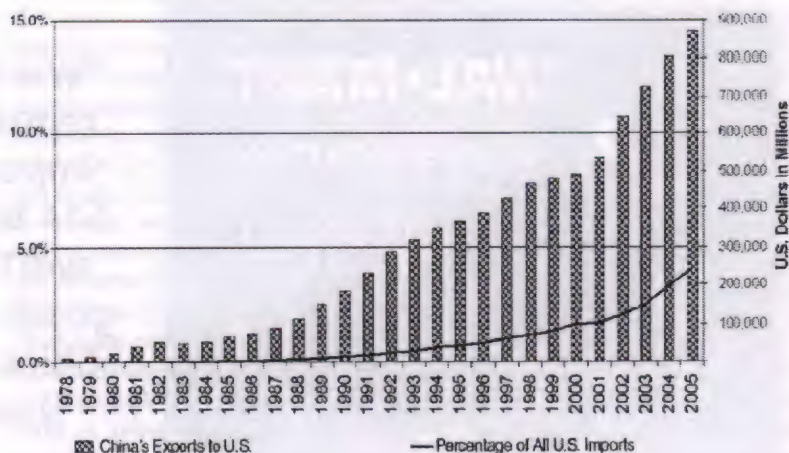


insurance, communications, property management, health services and education, for example, would rapidly become dominated by foreign capital. In other words, accepting the Washington Consensus threatened to reduce China to the status of a semi-colony, formally independent but actually dominated by the imperialist powers.

Looking at the global context in December 2001, however, brings into focus other factors which, together, constituted huge advantages for China that would reinforce those aspects of development which pointed in an altogether different direction, towards the possibility that China might herself become an imperialist power. Within the Asian region, the so-called "tiger economies" had not yet recovered from the crisis of 1997 to 1998 and were groping towards new strategies for rebuilding their export-oriented industries.

Internationally, the global economy was still mired in the aftermath of the stock market collapse of the previous year when the "dotcom" bubble burst. The strategy adopted by the Federal Reserve, the US central bank, was to boost consumer consumption by lowering interest rates and granting big tax cuts to the middle class. This strategy had just been reinforced in an effort to counteract the slump in business confidence after the attack on the Twin Towers.

The Chinese economy benefited directly from WTO accession. As US protectionists never tire of pointing out, Chinese exports to the US, already high before 2001, have grown even faster since. Total exports rose from approximately 20 per cent of GDP to 35 per cent in the five years after accession.<sup>25</sup> In terms of the official GDP figures, growth rose from a little over 8 per cent in 2001 to 9 per cent in 2002 and 10 per cent in 2003. The figures for the first two quarters of 2007 have gone above 11 per cent. Foreign direct investment showed the same pattern, rising from a total of \$40.7 billion in 2000 to \$46.9 billion in 2001, \$52.7 billion in 2002 and \$53.5 billion US dollars in 2003. Contrary to what might be expected, investment from the USA actually declined over those three years from \$4.4 billion to \$4.2 billion. In the same period, investment from Hong Kong, Taiwan, Singapore, Korea and the British Virgin Islands rose from \$25.9 billion to \$34.4 billion.<sup>26</sup>



Indirectly, China's growth also benefited not only other Asian economies but many further afield. For the Asian economies, recovery from the crisis of the late 1990s was achieved by supplying China either with raw materials or semi-finished goods which were then completed and exported as Chinese goods. In this way they retained most of their capital intensive and highly skilled work, and outsourced unskilled and semiskilled assembly operations to China, essentially following the route of Taiwan and Hong Kong before them. As a result, investment into the 10 ASEAN countries was a record \$37 billion in 2005.<sup>27</sup> At the same time, China's need for raw materials and energy has boosted economies as far apart as Australia, Latin America and Africa.

These new and growing trade patterns have given rise to the characterisation of China as the "motor of the world economy" but this is misleading. Certainly, foreign trade, expressed as a percentage of GDP, is extremely high at 64 per cent<sup>28</sup> compared to, say, the USA where the ratio is 20 per cent. In value terms, China is now the third largest trading country in the world and is projected to overtake Germany in the number two slot this year. However, these figures, which total up the value of imports and exports, tend to obscure the fact that China's trade surplus with the rest of the world has generally been quite small. Although China has run a positive trade balance for many years, this declined from 4 per cent of GDP in 1998 to a little over 2 per cent between 2001 and 2004. Since then, however, there has been a significant increase to some 8 per cent of GDP.<sup>29</sup>

A recent study suggests that this is the result of the decline in imports of rela-

tively unsophisticated products, whether destined for re-export or domestic consumption, which can now be made within China.<sup>30</sup> Nonetheless, it remains true that the overall total for all foreign trade is high because of the value of China's imports. Demand has pushed up raw material and energy prices and, although China is now able to produce more of the components for export goods, the value of imported semi-finished goods makes up most of the value of the most sophisticated export goods that have been merely assembled in China.

## EXPORTS

This pattern has remained true despite major changes in the composition of China's exports. Although China remains a major source of cheap textiles and shoes, in terms of value, more sophisticated goods such as electrical consumer durables and computers made up 43 per cent of China's exports in 2005.<sup>31</sup> Of particular importance is the increase in exports of steel products and machinery which are one result of the huge boom in productive capacity that has taken place since WTO accession. Recent figures show that "capital goods" now account for more than 40 per cent of total exports.<sup>32</sup> In other words, China is "moving up the product chain" and the domestically produced content of exports is increasing except in the most highly sophisticated products, for example, in the electronics sector. It should be remembered, however, that these are the sectors in which wholly-owned foreign companies or foreign-invested joint ventures, dominate production.

In the light of this, it becomes clear that the really major change has been the integration of China into the interna-





## "Wal-Mart reputedly imported \$14 billion worth of goods from China last year"

tional trading system. She has become, as it were, a conduit through which passes an increasing share of world trade, but that trade is ultimately destined for the markets of the imperialist nations, above all the USA which alone takes 21 per cent of China's total exports, up from 17 per cent of a very much smaller total 10 years ago. This illustrates the importance to China of buoyant consumer demand in the USA and the trade itself has contributed to this. Because of the scale of China's exports to the US, Beijing's foreign exchange reserves, the greater part of which are in US dollars, have grown steadily since accession. Today they stand at over \$1.3 trillion and a sizeable proportion has been used to buy US Treasury bonds, thereby contributing significantly to the low interest rates that have underpinned the US economy in the current cycle.

China's development as a major capitalist economy was never simply a matter of allowing "global capital" access to cheap Chinese labour. As we have seen, throughout the three decades since the first "reforms" were introduced, the capital that flowed in ever greater volumes into China came predominantly from the Chinese bourgeoisie in neighbouring,

semi-colonial states, sometimes referred to now as the "China Circle" or, rather more ominously, "Greater China". This has remained true since WTO accession. In 1999 the USA invested \$37 million into the chemicals industry and this increased to \$520 million in 2005. However, over the same period, FDI flows from Taiwan increased from \$538 million to \$2.4 billion in the electronics sector and from \$28 million to \$373 million in the precision instruments sector.<sup>33</sup> By exploiting cheap Chinese wages in labour-intensive factories and then selling in the markets of countries whose own production costs were far higher, above all, in the USA, Europe and Japan, Chinese capitalists were able to reap an extra profit by selling above their own prices of production.

Naturally, a portion of that profit could be creamed off by commercial capital based in the importing countries, the most famous example of this being Wal-Mart, which reputedly imported \$14 billion worth of goods from China last year, but this was not the principal benefit to the capitalist classes of the imperialist countries. For them, and they own the lion's share of "global capital", the great advantage was the lowering of the cost of

consumer goods and their consequent ability to hold down or even reduce the cost of labour power in their own factories. This had the effect of reducing the proportion of "necessary labour" in the working day and allowed, therefore, an absolute increase in surplus value. It would be difficult, perhaps impossible, to quantify this effect but one estimate, from the Institute for International Economics in Washington, suggested that the "China price" represented a reduction of between 10 and 20 per cent on costs, a saving of up to \$30 billion in one year, 2003. Added to this, was the impact of the "China price" on other producers' prices including on the \$500 billion worth of goods from other low-wage economies as well as the \$450 billion worth of goods from American and Japanese companies in competition with China.<sup>34</sup>

## CONSTANT CAPITAL

As production in China expanded to include more sophisticated goods that could enter into the formation of constant capital, reduce turnover time and raise the speed of communications, their lower prices would also have lowered the cost of constant capital to some degree, thereby offsetting the tendency of the rate of profit to fall. However, important as these effects are, they are essentially a one-off benefit, once they have become established across the economy. Thereafter, other things being equal, these offsetting effects could be expected to decline. In this context, it is worth noting that the imperialists' economic strategists are also aware that the impact of cheap exports may not last forever – on 16 May 2007, the Governor of the Bank of England warned that the deflationary impact of Chinese imports is "diminishing".

Without exploring the possibility that the "credit crunch" resulting from the collapse of the sub-prime mortgage market in the US might dramatically reduce the demand even for Chinese goods, which lies outside the bounds of this article, the sheer success of China's exporters sets limits to the process. Once China has become the main world producer of a particular category of goods, the "China price" becomes the only price and Chinese producers can no longer reap those extra profits; now they must compete with each other, re-running the classic business cycle. In the globalised economy, however, the effects of that



business cycle, its booms and its crises, will not only be felt locally, in China, but throughout the world.

### THE WTO BOOM

The huge boost to production provided by entry into the WTO created boom conditions within China. In addition to the flood of FDI already noted, lending by state banks also rose dramatically. According to Joe Studwell, by December 2004, total bank lending had risen by 58 per cent, equivalent to \$785 billion.<sup>35</sup> The most important result was to encourage investment in new productive capacity as firms responded to the prospect of ever greater exports particularly in anticipation of the removal of import quotas on Chinese textiles in 2004. Gross fixed capital formation, as a percentage of GDP, rose from 34 per cent in 2001 to 40 per cent in 2004 and hit 50 per cent in 2005.<sup>36</sup>

Since 2004, it has been official government policy to reduce these figures and thereby reduce overall GDP growth to some 8 per cent. The complete failure to achieve these goals underlines the fact

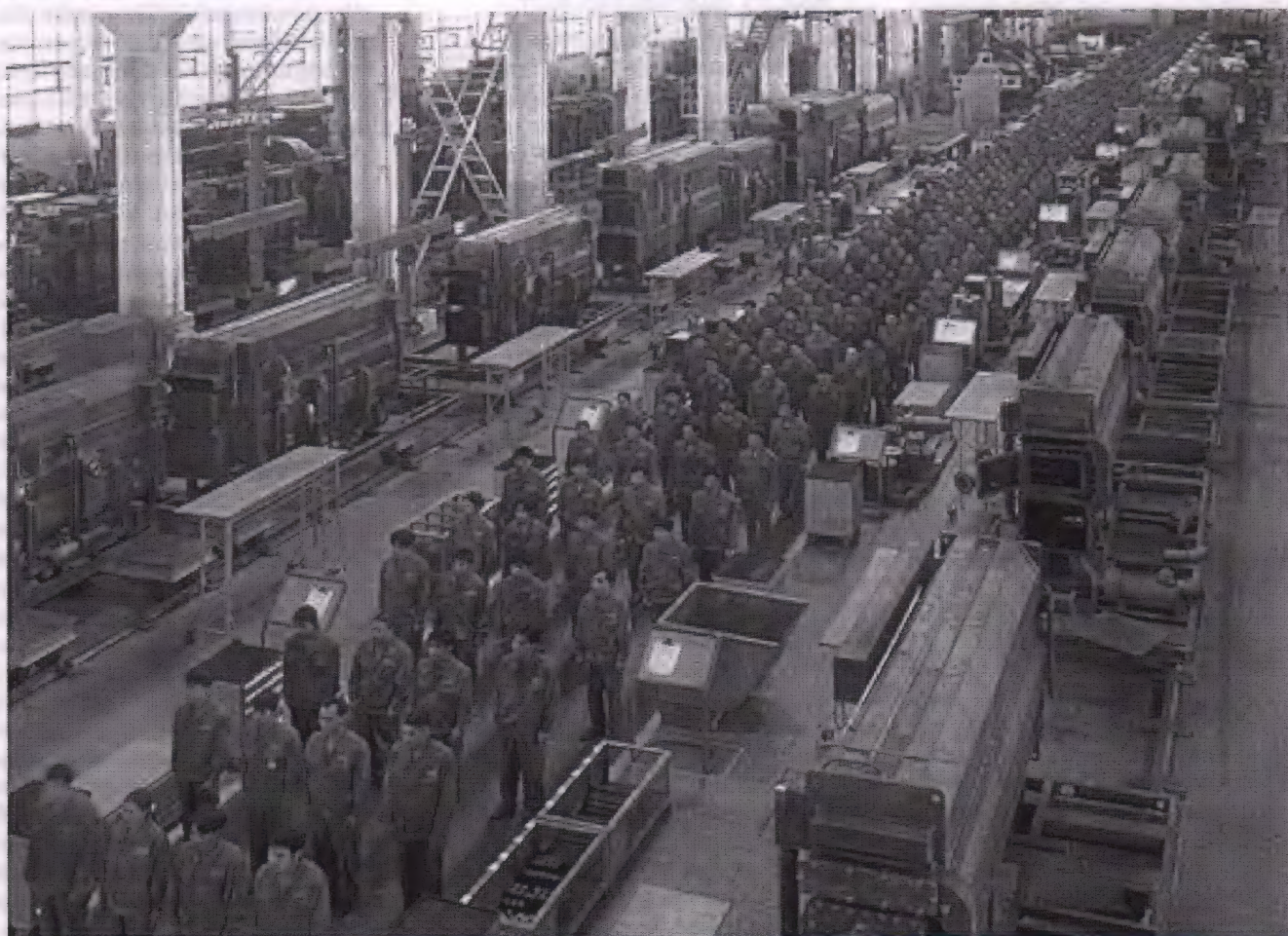
that what we are seeing is a fairly typical capitalist boom in which capacity is expanded as fast as possible in order to capture market share, irrespective of the fact that the total capacity thereby created may be far greater than the market can absorb. In such conditions, the drive to increase production pushes up the market prices of raw materials, energy and, whatever the global availability of labour might be, the local costs of wages. All of these can be seen with regard to the current boom in China.

Of particular importance is the evidence of rising wages to which both Goldman Sachs and *The Economist* have drawn attention. According to *The Economist*, wages in the all-important coastal provinces are now 2.5-3 times higher than in the Philippines and Indonesia, not to mention Vietnam.<sup>37</sup> The same report suggests that, despite this, China's exports largely remained competitive because of increases in productivity. However, Goldman Sachs has calculated that the unit labour cost in mining, manufacturing and utilities was rising at close to 10 per cent per year by

2005 and, since this takes into account any productivity increase, this means that workers have been able to drive wages up and secure a real increase in the proportion of the added value that they receive.<sup>38</sup>

The scale of China's reserves of foreign exchange, together with the importance of consolidating both markets for exports and secure sources of raw materials, has created the material base and the economic need for China to begin to export capital herself. This is clearly the most overt sign, economically, of the potential for development towards an imperialist power so it should be recognised that such exports are, as yet, on a small scale in comparison both to the totality of the Chinese economy and to the volume of capital inflows. Nonetheless, from practically nothing at the beginning of the 1990s, China's own FDI overseas grew rapidly to a peak of \$4 billion in 1994 and subsequently reached new peaks of \$6 billion in 2001 and nearly \$12 billion in 2005.<sup>39</sup>

More recently, in January 2007, a meeting of the Central Council on





Financial Affairs was told by Premier Wen Jiabao, that it had been decided that China, "will strengthen the management of foreign exchange reserves and actively explore and broaden channels and manners for making use of reserves"<sup>40</sup> by the creation of a new government agency. Commentators anticipate that a reserve of \$700 billion will be retained, freeing some \$500 billion for strategic investment. As well as strengthening China's investments overseas, this would also limit the potential losses involved in holding such large reserves of dollars when they are likely to decrease in value. The first fruits of this policy were Chinese investments in Blackstone, a private equity investment operation, and in Barclays, to support its bid for the Dutch bank ABN Amro. However, since both of these firms are likely to have sustained substantial losses recently in the financial markets, it would seem that there is a steep learning curve ahead for China's investment agency.

## FOREIGN CAPITAL

What then of the other side of the coin? To what extent has WTO accession allowed foreign, that is, imperialist, capital, to penetrate China beyond the export processing industries? One feature is immediately clear; FDI is now directed overwhelmingly into wholly foreign-owned firms. Previously, the emphasis was on different forms of joint ventures with Chinese owned enterprises; in the mid-1990s, these accounted for approximately 70 per cent of "actually realised investment". By 2005, this had shrunk to little over 30 per cent.<sup>41</sup>

In its 2005 report, the OECD noted that foreign-controlled companies accounted for 13 per cent of the domestic market. Once again, the first point to make is that there is "foreign controlled" and "foreign controlled". Holdings by Hong Kong and Taiwan capital are included in this category. Secondly, though, by comparison with the export market, where foreign firms account for 55 per cent of the total and as much as 80 per cent in some sectors such as electronics, the 13 per cent figure appears small. But the figure has to be understood in context.

First of all, of course, 13 per cent of the market in a country with a population of 1.35 billion is still a very large market and, a decade earlier, the figure would have been negligible. Moreover,

that share of the market is concentrated in the urban population, which has the most scope for further expansion. Secondly, under the terms of WTO accession, there are stages in the opening of China's domestic markets, as there are for dismantling other countries' barriers to her exports. In other words, the 13 per cent figure does not take account of the fact that those sectors, above all the service sector, where foreign competition was not yet permitted, the percentage was 0 per cent, and conversely in the sectors open to FDI it was higher than 13 per cent.

Finally, most of these restrictions were formally removed by 2007 but the impact of foreign competition will not be felt immediately because of the time it will take to establish offices, distribution networks, skilled labour and everything else necessary for a physical presence on a national scale in, for example, insurance, banking, health and education.

At present, then, the extent to which acceptance of the WTO regulations will allow China to become dominated by multinational corporations based in the imperialist countries is yet to be seen. Since those regulations were expressly designed to create an "open door" for those corporations by outlawing not only overtly protectionist measures such as tariffs and quotas but also less obvious forms of subsidy and preferential treatment, the threat of domination and subordination to semi-colonial status is very real. US capital, in particular, has continued to see China primarily as a market and under the new conditions this has begun to pay off. According to the American Chamber of Commerce, rates of return on investments in China are now averaging some 14 per cent.<sup>42</sup> However, the sheer opacity of Chinese business practices and the practical obstacles to achieving dominance in such a vast country should also not be underestimated – and neither should the ability of the government and party to mobilise nationalist, indeed chauvinist, sentiment to discourage aggressive expansion within China.

## CLASS FORMATION

As we approach the 30th anniversary of Deng's first reform programme, China presents a unique example of combined and uneven development, unique both in its composition and its scale. The initial reforms allowed the development of capi-



Petrol shortages in China have led to queues

tal within China, but strict regulation by the party ensured that the capitalist class that developed within the interior was tightly regulated and supervised. At the same time, the creation of the coastal enclaves provided a source of cheap labour for exploitation by the émigré Chinese bourgeoisie. Although this certainly enriched them, these bourgeois remained divided in their emigration and dependent on Beijing and the Communist Party for the maintenance of the conditions in which they could prosper.

The tightly controlled restoration of capitalism, while it dismantled the planned economy, allowed the retention not only of many aspects of the state control of the economy but of the political structure inherited from the degenerate workers' state, above all the party and the security apparatus. Virtually all the most important Chinese corporations on a world scale, those intended to become "national champions" such as Sinopec, Huawei, Lenovo, Baoshan Steel, Shanghai Auto and Nanjing Auto, owe both their size and their capital base to their origins in the state-owned sector and all have retained very close links to the state and the party. Only Haier, which produces consumer white goods, appears to have been built as an independent company from its origins in a bankrupt TVE factory.



Precisely because of the party's continuing dictatorship it is impossible to know, particularly from a distance, the extent to which the different components of a new Chinese capitalist class, which undoubtedly exists "in itself", have begun to gel into a class which is conscious of its own interests and capable of formulating these into a political programme that expresses the needs of this class "for itself".

One recent report, however, suggests that this process is at least underway. In August, an official investigation into illicit financing uncovered the existence of an illegal banking operation based in Shenzhen. It had, reportedly, been in existence for eight years and operated in every province in the country. Just in the last year and a half, in the Shenzhen area alone, it had handled \$544 million worth of transactions and its clients included state-owned enterprises and foreign multinationals. *The Economist* reported that a study by the Central University of Finance and Economics had shown that such banks were lending "as much as 800 billion yuan (in the region of \$100 billion) per year."<sup>43</sup> Undertakings on such a scale not only help to explain why Beijing has been unable to control the economy and hold down speculative investment, but suggest that China's new bourgeoisie has already developed a significant degree of social and economic cohesion.

In other countries, where "combined and uneven development" pitched a new bourgeoisie against a political regime based on, for example, a landowning class, it was generally true that, whatever the bourgeoisie's ideologues' support for democratic rights or even revolution, the class itself was so weak that it generally drew back from an open confrontation with the *ancien régime*. Moreover, when confronted by the prospect that its own property would be threatened by the class struggles of the working class and poor peasantry, it would eventually side with even the most repressive regimes.

However, in the case of China the factors involved are different. All capitalists derive some benefit from the dictatorial power of the party but the party is, ultimately, the agent of a bureaucratic caste, not a socially-rooted class. Already, 20 per cent of the party membership register themselves as "businessmen" and it is no secret that, at every level, party officials and leaders have made damn sure it

is their sons and daughters who are the leading figures in the former state-owned enterprises which are now bidding to become major capitalist corporations. However, as we have seen, private capital has grown rapidly in China in recent years and could be expected to be antagonistic to the continued rule of a party that systematically diverts resources to its cronies and chosen corporations. Similarly, the Chinese bourgeoisie in Hong Kong or Taiwan is never likely to regard the "Communist Party" as its party. Those in Taiwan, of course, have their own party and also the experience of wielding state power. Lastly, the imperialist powers would have every reason to dress up the destruction of potential competitors and the complete opening of the Chinese market as a crusade against Communists and dictatorship. For these reasons, any serious social convulsion in China could be expected to threaten the survival of the party in its present form and, therefore, open up the most fundamental questions over who should rule.

### THE WORKING CLASS

Any development of capitalism is, necessarily, also the development of the working class and in China this has now grown to some 350 million. Although far from a homogenous class, this is a social force that has already been bloodied in class battle and, as the steady stream of reports of protests and strikes shows, has taken the first steps towards organising itself. In 2006, the Ministry of Labour and Social Security recognised 317,000 labour disputes involving some 680,000 workers, and recorded a further 130,000 disagreements into which it had intervened to prevent a dispute developing.<sup>44</sup> A continual increase in the number of disputes, and their scale, has resulted in the proposal for a new Labour Law currently before the National People's Congress.<sup>45</sup>

Under the party dictatorship, however, there can be no question of the peaceful development of independent working class organisations, either political or trade union. While the state sanctioned unions of the ACFTU have, on occasion, taken up workers' grievances and are still seen as possible channels for protest and advancing workers' interests, particularly in the foreign-owned sector, their total subordination to party and state means that they cannot pursue an independent course or lead any action that might

challenge the state's priorities.

Lastly, China's still huge peasantry, numbering perhaps 800 million, is caught up in what must be the greatest upheaval in all its long history. The initial dramatic rise in farm incomes only lasted until the mid-1980s and since then a process of class differentiation and migration has transformed life. Official figures, quoted by Harvey,<sup>46</sup> suggest 114 million have moved from the countryside in the biggest mass migration in human history. The rate of urbanisation and industrialisation has also had a direct impact on peasants as provincial and city officials took their land, often without compensation. Reportedly, the majority of the 87,000 officially recognised public protests in 2006 were in response to such land seizures. Such developments also underline the close proximity of the "countryside" to the "cities" in much of China. There are, of course, still distant and isolated areas but the overwhelming bulk of the population is concentrated in the great river valleys and these are far more open to urban influence than in the past. Just the scale of internal migration ensures, in the age of the mobile phone, that much greater contact is maintained between the urban and rural populace.

The pace of change in the countryside will, if anything, accelerate under the impact of WTO accession because opening China to foreign produce is forcing a dramatic shift in what is produced and how. Prior to accession, Chinese agriculture earned some \$5 billion from exports; in 2005 the OECD reported a net cost of imports of \$11 billion.<sup>47</sup> Already, 30 per cent of pork, and 70 per cent of poultry, production is carried out by "specialist" commercial operations, rather than traditional farms. Further capitalist development will promote the consolidation of land – at present the average farm is just 0.65 hectares and even that is spread over several plots.

### VILLAGE AND TOWN

Politically, the village always follows the town and the peasantry in China provided the social foundation of the Communist Party's regime, as well as the great bulk of its military forces. Now, however, the peasantry's internal differentiation and dislocation, and its constant clashes with party and state officials acting on behalf of vested interests, must place in question its continuing auto-



matic loyalty.

The restoration of capitalism, then, has unleashed forces which are reshaping the structure of Chinese society; creating new classes, relocating millions and building new cities on a scale and at a speed that is unprecedented – but within a political regime, the one-party dictatorship, inherited from a degenerate workers' state in which migration was forbidden and, as far as possible, the entire economy was controlled by agencies of the central government. The dictatorship makes it impossible to observe the dynamics of class formation, since classes really form themselves in the process of struggle. As long as the present boom conditions obtain, Chinese society will remain opaque. However, all past experience suggests that, as soon as those conditions are put in question, all of the most dynamic forces in Chinese society will turn against the party and demand the democratic rights with which to defend and advance their separate interests.

We should not be in any doubt that, within any mass movement for democratic rights, there will lurk the agents not only of the Chinese bourgeoisie, intent on using mass mobilisations to advance their own class interests, but also those of the imperialist states, determined to manipulate democratic illusions to reduce China to a semi-colony, just as they have reduced the countries of Central and Eastern Europe. We can even anticipate some of the issues around which they will try to organise: "human rights" for reactionary movements such as Falun Gong; support for "struggling businesses" against state subsidised corporations; freedom of the press to report on political scandals; and, perhaps, as in Poland, support for free trade unions. The involvement of bourgeois agents within such movements should not prevent the working class from supporting legitimate democratic demands, but will put a premium on independent political organisation.

Within the organisations that will be thrown up in the course of the struggle, revolutionary communists will argue for the building of industrial unions on a national scale, distinguished from the official unions by being controlled by their members through directly elected and recallable delegates at every level. In the towns and cities, they will call for the creation of delegate-based workers'

councils to take control of public order, distribution of rations and maintenance of production under the protection of a workers' militia. At the same time, they will urge all those committed to the overthrow of both the party dictatorship and the rule of capital, whether Chinese or foreign, to forge a new revolutionary working class party committed to the programme of permanent revolution.

## A GREAT POWER

China today is a society in transition. As we have seen, elements of the old degenerate workers' state exist alongside some of the features both of a semi-colony and of an imperialist power. Thus there is a growing penetration by imperialist capital and the super-exploitation of large parts of the working class, but also the developing export of capital. To this can be added the military dimension, the creation of the Shanghai Cooperation Council, and the recent demonstration of the ability to shoot down satellites at will. This is an unstable combination and, ultimately, an explosive one.

There cannot be any doubt that Beijing's plans are aimed at restoring China as one of the "Great Powers" but a country the size of China cannot be peacefully integrated into a world already divided between the great imperialist powers. To achieve continued economic growth on the basis of the capitalist property relations that have now been restored, China would need to continue to expand her exports and also to develop domestic consumption and the interior provinces. This would require not only securing markets but also sources of energy and raw materials on a huge scale and, inevitably, therefore denying them to others. In other words, China would have to become an imperialist power herself. However, as was pointed out by Lenin, in the imperialist epoch, a new imperialist power can only emerge as a result of the redivision of the world. Any significant step in this direction would, of course, be recognised immediately as a threat by one or other, or all, of the existing imperialist powers who would take steps to curtail China's advance or to manipulate it to their own ends.

Just as certainly, if China is not able to advance her independent, capitalist interests, then the existing semicolonial features will be strengthened until she becomes a fully subordinated semi-colony. Although the tempo may be

faster or slower, at some point this would challenge the Communist Party's dictatorship, which depends on economic prosperity, growth and, perhaps above all, the maintenance of sovereignty for its legitimacy.

In addition to these destabilising dynamics there is also the prospect of rising social tensions as a result of a cyclical downturn in the Chinese economy. Any attempt to identify when exactly a downturn is to be expected would be pointless speculation. The present Chinese cycle began just before the turn of the century, seven years ago now, and the feverishness of the economy at present, with its almost unprecedented high levels of investment, rising raw material costs, rising labour costs and increasingly frenetic activity on the stock exchanges all suggest that it is moving towards its peak. However, China is still very far from a "classical" capitalist economy; the state still plays a huge role in production and has enormous resources that could, for example, be used to increase domestic consumption, subsidise failing firms and encourage relocation of production. Equally, the provision of consumer credit is still in its infancy in China and the degree of capitalist development varies between different industrial sectors and this could affect the speed of transmission of a downturn across the economy.

At the same time, there is no reason to assume that a political crisis has to begin with an overtly "economic" issue. Repression of protests at the time of the Beijing Olympics, environmental disasters such as dam collapses or poisoned water supplies, peasant protests against land seizures or workers' mobilisations against non-payment of wages, dangerous working conditions or victimisation of militants, all could be the trigger to mobilisations, protests and strikes that could threaten the future of the regime on a far larger scale than at the time of the Democracy Movement and the Tiananmen demonstrations.

## CONCLUSION

Perspectively, what is important is that Chinese capitalism cannot escape the consequences of its own success. Its most advanced sectors even need a crisis, in order to purge the economy of the least efficient capitals, and to allow a round of concentration and centralisation, and to restore the conditions for more effective valorisation and higher profit rates, but



that cannot be achieved without the social convulsion of a cyclical crisis. In the context of falling production, closures and layoffs, bankruptcies and mass unemployment, with scant provision of social security even for the well-established sections of the working class and none at all for over 100 million illegal migrants from the countryside, the working class and poor peasantry can be counted on to fight but to win they must generate a new political leadership based in their own independent organisations.

The strategy of developing China by restoring capitalism and bringing back the bourgeoisie has actually brought China to the brink of a colossal internal conflict and the prospect of renewed foreign domination. On the basis of capitalism, China's future could either be as an imperialist power or a semi-colony, either of which outcomes would represent a major defeat for the working class and oppressed, nationally and internationally. However, in the approaching class struggles lies the potential for a third alternative, the defeat of the Stalinists who have restored capitalism, the Chinese bourgeoisie who have not yet consolidated themselves as a class and the imperialists who have not yet established a secure foothold within the country. Victory over this trinity of enemies could only be achieved by the creation of a workers' state based not only on the expropriation of capital but, crucially, on the rule of the working class and its allies in the poor peasantry through their own, democratically-controlled councils.

Just as capitalist development has created the conditions for economic, social and political crisis in China, so globalisation ensures that the effects of that crisis will be transmitted around the world more quickly than any other crisis in history. Precisely because China has played a key role in stabilising the global capitalist system, any destabilisation in China will immediately both reveal and magnify the weaknesses that have developed in the imperialist economies. How the different classes in countries around the world respond to a potentially globally synchronised crisis cannot be predicted but there can be little doubt that the outcome of their inevitable conflicts will be the major factor in shaping the subsequent history of the 21st century.

## ENDNOTES

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2 Figures from B. Naughton, *The Chinese Economy*, Cambridge Massachusetts, p. 78, and from Nolan and Ash, *China's Economy on the Eve of Reform in China Quarterly* 144, London, 1995, p 982

3 Nolan and Ash, op cit, p982

4 Naughton, op cit, p.78

5 *ibid*

6 In 1981, 91 per cent of exports and 87 per cent of imports were controlled by foreign trade companies directly subordinate to the Ministry of Foreign Economic Relations and Trade; by 1984 their shares were 79 per cent and 65 per cent respectively, Sun Wenxiu, quoted by Nicholas Lardy, in *Chinese Foreign Trade in The Chinese Economy Under Deng Xiaoping*, Oxford 1996, Page 227

7 *ibid*, 222

8 *ibid*, p.224

9 Figures Cited by T. Sicular, *Redefining State, Plan and Market in China Quarterly* op cit p.1026

10 Naughton, op cit, P. 286

11 For a more detailed discussion of the development and impact of TVEs See *Trotskyist International* 22, July 1997. At the time of that survey, it was particularly important to stress the fundamentally capitalist character of the TVE sector, despite its nominal characterisation as "collectively-owned", in order to understand the dynamics behind the restoration process. However, the key role of party and state officials in the overwhelming majority of enterprises remained an extremely important political factor, allowing control and supervision as the sector grew in importance. Today, when some enterprises that originated in this sector have become major corporations, the importance of the continued close integration of many enterprises into the party-state apparatus remains.

12 Naughton, op cit p. 403

13 Lardy, op cit p.1074

14 For a fuller discussion of these developments see *Trotskyist International*, op cit,

15 Quoted by Jonathan Story in *China, the Race to the Market*, London 2003 page 100

16 A detailed account of Globalisation can be found in *Anti-Capitalism*, London, 2004

17 Figures from David Harvey, *A Brief History of Neoliberalism*, Oxford 2005, page 124

18 According to official figures, Hong Kong was the source of 42 per cent of the cumulative FDI total for the whole of the period 1985 - 2005, cited by Naughton, op cit, p.412

19 Story, op cit, p.192

20 Harvey, op cit, p.144

21 Naughton, op cit, p.144

22 Harvey, op cit, p.128

23 *ibid*

24 Figures from National People's Congress, quoted by *Green Left Weekly*, September 5th 2007

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29 Figures from Li Cui and Murtaza Syed, *The Shifting Structure of China's Trade and Production*, IMF Working Paper 07/214, p.5

30 *ibid*, *passim*

31 Figures from *The Economist*, March 31, 2007, p.11

32 *ibid*, p.7

33 Li and Syed, op cit, p.6

34 Figures cited by Fishman in *China Inc.* London 2005, p.254

35 Joe Studwell, *The China Dream*, Third Edition, London 2005, p.285

36 Naughton, op cit, p.145

37 op cit, p.12

38 Goldman Sachs, op cit

39 Figures from *The Economist* op cit, p 6

40 Reported by *Asian Times On Line*, January 27th, 2007

41 Cited by Naughton, op cit, p. 412

42 However, given the relatively small scale of US investments, even this rate of return is quite insufficient to have had a qualitative impact on the US economy as a whole which, in GDP terms, amounts to some \$13 trillion.

43 *The Economist* August 9, 2007

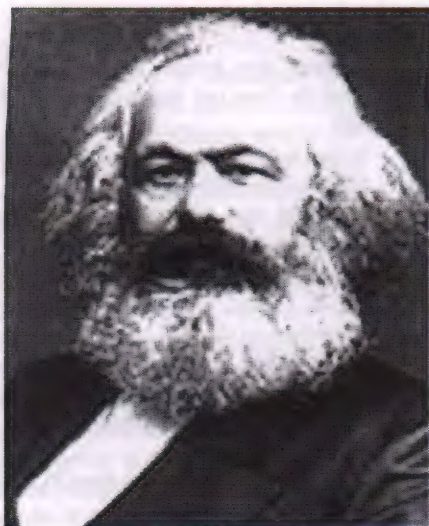
44 Figures quoted by *Green Left Weekly*, op cit

45 The content of this proposal has been the subject of sustained lobbying by multinational corporations intent on watering down any improvement in workers' rights. For more details see [www.fifthinternational.org/index.php?id=210,0,0,1,0,0](http://www.fifthinternational.org/index.php?id=210,0,0,1,0,0)

46 Harvey, op cit p.127

47 OECD Survey, op cit,





# How can we

## *The meaning of Karl*

## *struggle with*

By Jeremy Dewar

At the turn of the new century, the emergence of the anticapitalist movement saw a real revival of anarchist ideas and practices. These included an emphasis on "direct action" carried out by "affinity groups" working from "convergence centres" at the summit sieges and an organisational methodology based on "consensus" rather than majority decision-making. It soon became clear that these were not the pragmatic methods some of their American proponents claimed them to be but in fact matters of high principle. They were essential, we were told, in order to safeguard the total autonomy of individuals and small groups. They were explicitly aimed at preventing any "leadership" emerging, even of the most temporary character, and blocking the exercise of any "authority", even if it were democratically elected. Indeed, "no votes" was the loud cry when any attempt was made to break, what we might call, the "tyranny of structurelessness", that is, the chaos which allows a few strong willed and vocal individuals to come to the fore as the self-appointed spokespersons for the protesters. Anarchism's renewed influence was also extremely visible in both the black and the pink-and-silver blocks on demonstrations from Seattle to Genoa.

When it came to a discussion of the strategy of the movement, that is, what it should do and fight for, anarchism's presence was again keenly felt. This was particularly true in the early anticapitalist

movement's general hostility to "politics", or, rather, to any politics that focused on the state and the need for political power; the very idea of the struggle for power was seen as outmoded and dated. The leading forces in this were the Zapatistas and their theoretician/supporter, John Holloway, with his *How to Change the World Without Taking Power*. A wide variety of objectives replaced the goal of political power: counter-hegemony, empowerment of indigenous communities, microcredit unions and cooperatives in India, workers' self-management in Argentina and Venezuela. These were presented, both severally and together, as solutions that bypassed the state but could build up "another world" from below without the dangers and overhead costs of seizing power. Both the reformist strategy of using the existing capitalist state as an instrument, through which reforms could be achieved, and the revolutionary strategy of creating a workers' state, through which to expropriate the capitalists, were rejected. Whilst many of the proponents of these "anti-political" ideas did not openly identify themselves as anarchists, their rejection of the role of the state gave their proposals a common libertarian theme.

The youth based radicalisation of the early anticapitalist movement, from the demonstrations in Seattle in 1999 through to the great street battles of Gothenburg and Genoa, was remarkably similar to the post-1968 radicalisation. Key factors in this politicisation were hostility to US imperialism because of the Vietnam War and disenchantment

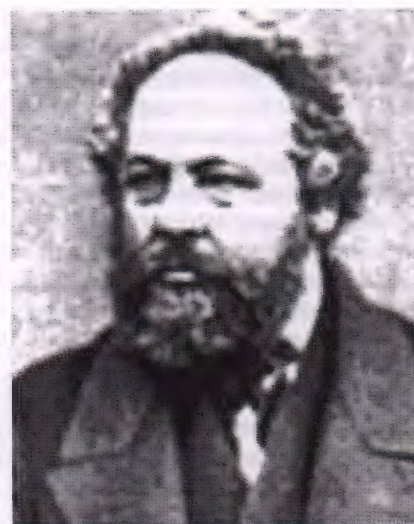
with both Stalinism and social democracy. The role of the Soviet Union in crushing the Prague spring and the betrayal of the French Communist Party, both in 1968, dispelled many illusions in Stalinism. Equally, social democracy in the west suffered from the fallout from the end of the post war boom. The emergence of the anticapitalist movement at the turn of this century was also characterised by anger with US imperialism and a crisis in the reformist and Stalinist left. The post-cold war US world order was increasingly seen for what it was: barbarous and reactionary. The collapse of the Soviet Union created a crisis in the official communist parties; social democracy shifted rightwards – abandoning any pretence at working class, social orientated reform. A space to the left of the traditional working class parties was opening and the anticapitalist movement was able to fill it.

The new libertarians claimed their ideas were anti-bureaucratic, militant and unencumbered by the dogmas of the past. Yet, in fact, none of their ideas were new. All can be traced back to debates during the formative decades of the modern labour movement, in the nineteenth century. The ideas of anarchism and libertarianism have a history which is as long as that of Marxism. Both trace their roots to the political battles between the followers of Karl Marx (1818-1883) and those of Pierre-Joseph Proudhon (1809-1865) and, later, Mikhail Alexandrovich Bakunin (1814-1876). These battles began in the 1840s but only erupted on a mass scale in the First International (1864-1872).



# be free?

## Marx's Mikhail Bakunin



This article examines the origins and crystallisation of anarchism as a movement and its strategic differences with revolutionary communism. Its focus is on the debates within the First International and particularly the conflict between Marx and Bakunin, combining a historical survey of the struggle between them with a philosophical analysis of their competing ideas. A simple exposition of the history, while interesting in and of itself, would not inform the political strategy we must develop to fight the anticapitalist struggles of today. It is the future of those struggles that make a strategic debate on anarchism or Marxism tremendously important. The differences between them involve fundamental questions; what constitutes freedom and justice and what lies at the roots of power and authority? It is from the counterposed answers to these questions that major differences of political strategy, such as what constitutes the revolutionary class, flow.

### THE HUNGRY FORTIES

The 1840s became known as the "hungry forties", such was the immiseration of the working class and peasantry in this early period of capitalism. Social conflicts culminated in the Europe wide revolutions of 1848-49 but, following their defeat, capitalism enjoyed a period of feverish expansion lasting through the 1850s and 1860s. This period of mid-century prosperity decimated the first generation of labour and socialist organisations formed during the 1830s and 1840s. One particularly significant victim was British Chartism, the first mass

working class movement. Yet, by the mid-1860s, in Britain, Belgium, France and a few other countries, new trade unions, new cooperative movements and new political organisations were slowly emerging. They were less revolutionary in their methods and less boldly utopian in their objectives than their predecessors but they nevertheless represented a major revival of the workers' movement.

A growing political ferment was to be observed. In Britain, frequent working class demonstrations and rallies were held in support of the Polish and Italian national independence struggles. This extended to support for Abraham Lincoln and the Union side during the American Civil War (1861-65) especially when it became clear that their victory would lead to the emancipation of the slaves. At an economic level, striking English and Belgian workers sent delegations to one another to seek solidarity, that is, to stop the import of scab labour to break strikes.<sup>1</sup> British and French workers' organisations exchanged visits around the international exhibitions of trade and industry, which were a feature of these years. It was during a visit to the International Exhibition of 1862 in London by a delegation of French workers, that the idea for a permanent international working class association was first proposed.

### FIRST INTERNATIONAL

On 28 September 1864, the International Working Men's Association (IWMA) was founded in London by delegations of French, British, German and other workers' leaders. Though only a silent witness

on the platform at this meeting, Karl Marx was elected onto a provisional committee to draft the rules and constitution. After the defeat of the 1848 revolutions its leaders found themselves exiled in London, without mass forces and unable to explain the defeats of the revolution. They were soon attacking one another as traitors and police agents. The Communist League too, which had been given its famous Manifesto by Marx and Engels, collapsed into warring factions. Marx in London and Frederick Engels (1820-1895) in Manchester withdrew from the warfare of the émigré cliques to focus on theoretical work, what was to become Marx's *Capital*. Their political isolation lasted for over a decade. Now, however, because real mass workers' organisations were involved, Marx enthusiastically joined the IWMA. Engels was at first more hesitant, eager to see his friend complete *Capital*. In collaboration with remaining figures from the old Communist League, like Johann Eccarius, Marx sought to influence these sizeable and genuine working class organisations step by step towards a fully rounded revolutionary programme and to create a worldwide political organisation. He and Engels, after the latter moved to London in 1870, threw themselves into this work, writing appeals and organising levies for strikers, whilst developing policies that could generalise their struggles into demands for political action which culminated in the struggle for power.

Marx took on the job of writing the International's first programmatic statement, the *Inaugural Address to the*



*International Working Men's Association*. He himself commented that it could not be written in the bold language of the *Communist Manifesto* but it tackled the essential points in language the newly emerging labour movements could understand. In it, Marx laid down the foundations of a programme for the working class, leading from the struggles of the day, for political freedom, economic and social reforms, to the goal of political power. The document pointed to the fact that, despite the incredible expansion of industry, workers were not being paid sufficient wages to live on, women and children were not being protected from terribly injurious working conditions and public health was being ignored. Pointing to the British Ten Hours Bill agitation in 1847, Marx noted that its passage into law marked "the first time in broad daylight that the political economy of the middle class [i.e. bourgeoisie] succumbed to the political economy of the working class".<sup>2</sup>

Marx cited the cooperative movement as another victory for the labouring classes, particularly cooperative factories. They had, he argued, "shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolised as a means of dominion over, and of extortion against, the labouring man himself." However, he concluded that such cooperatives, "if kept within the narrow circle of the casual efforts of private workmen, will never be able to arrest the growth in geometrical progression of monopoly, to free the masses, nor even to perceptibly lighten the burden of their miseries". The conclusion Marx drew was that, "...cooperative labour ought to be developed to national dimensions, and, consequently, to be fostered by national means".

Marx also emphasised the linkage between working class liberation and the international dimension and asked, 'If the emancipation of the working classes requires their fraternal concurrence, how are they to fulfil that great mission with a foreign policy in pursuit of criminal designs, playing upon national prejudices, and squandering in piratical wars the people's blood and treasure?' It was with this question that *The Address* came to its culminating conclusion, "To conquer political power has therefore

become the great duty of the working classes. They seem to have comprehended this, for in England, Germany, Italy, and France, there have taken place simultaneous revivals, and simultaneous efforts are being made at the political organisation of the workingmen's party."<sup>3</sup>

At its height, the International held the affiliated support of mass organisations across Western Europe and North America. It organised strikes and solidarity and developed internationalist working class foreign policy. It developed democratic and working class demands for an 8-hour working day, free state education, universal suffrage, active opposition to war, solidarity with oppressed nations and the necessity of the socialisation of land and the entire means of production. As a result, it increasingly attracted repression; in France it was banned and its leaders tried and fined for conspiracy.

The economic downturn of 1866-67 saw a huge wave of strikes in most countries in Europe. The International successfully intervened in and, indeed, instigated, these where it had branches. The Paris bronze workers' lockout (1867) the Geneva builders' strike and, especially, the massacre of striking Belgian miners (both in 1868) brought thousands of new adherents to the International, "At first the strike was an end in itself. By degrees, however, experience showed that a strike contributed enormously to the strength of the International, inasmuch as it induced strikers to throw themselves into the arms of the organisation."<sup>4</sup> By the time of the Basle congress, 1869, the International had six regional federations and 64,000 members in Belgium, 230 branches and 95,000 members in Britain, and 13,350 members in the Austrian Empire, despite it being a proscribed organisation.<sup>5</sup>

### BAKUNIN'S ROAD TO ANARCHISM

At the time of the 1866-67 strike waves, the trade unions were at the high point of their involvement in the First International. This also marked the high point of Marx's political influence. The French Proudhonists, the other major political trend within the International, were hamstrung by their general hostility to trade unions, which they had inherited from Proudhon himself. It was at this time that Bakunin became active in

the International. He had a career as a revolutionary writer and activist stretching back to the 1840s, but it was only in 1867 that he declared himself an anarchist.<sup>6</sup> Proudhon had coined the term "anarchist" back in 1840 but did not regularly use it, preferring to call himself a "mutualist". Nor, did he himself build any organisations around his mutualist ideas, beyond his failed People's Bank. Nevertheless, Proudhon enormously influenced Bakunin both in the 1840s, when they met for extensive discussions in Paris, and later in the 1860s after his return to Western Europe from prison and exile. Bakunin later repeatedly stated that "Proudhon was the master of us all."

The importance of Bakunin in the history of anarchism is twofold. He was the first to work out a distinct programme for anarchism, and the first to outline and, to some extent, build an international organisation to carry out this programme. In general terms, Proudhon was the originator of anarchist ideology, specifically its absolute refusal to translate social transformation into the conquest of political power and its rejection (in words) of all authority. Bakunin, developing these ideas, was the father of anarchism as a political movement. From Proudhon he took the concepts of mutualism, free association and federalism. However, it was certainly not only Proudhon who influenced Bakunin's political programme and theory; indeed, Bakunin rejected outright the former's hostility to trade unions and strikes. Rather, Bakunin eclectically combined elements drawn from various sources. Hal Draper, in volume four of his monumental work, *Karl Marx's Theory of Revolution: Critique of Other Socialisms*, notes the following components of Bakuninism:

- "(1) A social theory suggested by Proudhon, with a dash of [Max] Stirner – the anarchist element proper
- (2) A socioeconomic programme which was a (changing) version of the anticapitalist collectivism current in socialist circles, including eclectic borrowings from Marxian theory to fill in the chinks
- (3) For the political strategy, the conspiratorial putschism of the then current left-Jacobin tradition of the B's, that is, Babeuf, Buonarroti, [Auguste] Blanqui, Barbès (what historians nowadays loosely call 'Blanquism') – all skewed by a Russian-accented terrorist nihilism."<sup>7</sup>

This description is useful and is cer-



tainly easy to illustrate from Bakunin's own writings.

To it, however, one should add, as does Aileen Kelly,<sup>8</sup> left Hegelianism. As a student, Mikhail Bakunin had studied the works of GWF Hegel (1770-1831) in Moscow in the 1830s and 1840s. Hegel was an objective idealist, seeing the realm of ideas and thought as primary and real and the material world as secondary and derived from it. Unlike earlier idealists, however, he did not see the Ideal as unchanging or without conflict or contradiction. Quite the opposite, he saw human history as a process of ceaseless evolutions and development, punctuated by revolutionary leaps. In his youth he developed this dialectical method under the impact of the cataclysmic changes wrought by the great French Revolution, the British industrial revolution and discoveries in the natural sciences. These put an end to the old static worldview with its unchanging logical categories. However, in his later years, heavily influenced by the counter-revolution after Napoleon's downfall, he became more conservative, concluding that some form of constitutional monarchy was the final endpoint of history, that is, the realisation of the Ideal or the divine-in-society. His followers divided into conservatives and revolutionaries. The latter, specifically Ludwig Feuerbach (1804-1872), concentrated on Hegel's revolutionary dialectical method and sought to apply it to human society on a materialist basis.

Bakunin left for Berlin in 1840 and became a member of the Young Hegelian circle in 1842, alongside Max Stirner, Marx, Engels and Bruno Bauer. He was hoping to write a magnum opus on Ludwig Feuerbach, the main inspirer of the Young Hegelians, but he never completed it. In 1844, he contributed to Marx and Engels' *Deutsche-Französische Jahrbücher*.<sup>9</sup> He wrote an article entitled the *Reaction in Germany*, which ended with a theme he would return to again and again, nihilism. He wrote: "Let us therefore trust the eternal Spirit which destroys and annihilates only because it is the unfathomable and eternal source of all life. The passion for destruction is a creative passion, too!"<sup>10</sup> When revolution broke out in Paris in February 1848, Bakunin rushed there to intervene and later that year was also active in the uprising in Dresden. He later attended the bourgeois liberal Pan-Slav Congress

**Marx and Engels rejected pan-Slavism as a reactionary current splitting the revolutionary movement in central Europe**

held in Prague. As was to reoccur 20 years later at the congress of the League for Peace and Liberty, this bourgeois assembly rejected his call for "social upheaval", which he had presented in his *Appeal to the Slavs*. Such pan-Slav nationalism, like his enthusiasm for nihilistic destruction, was to crop up time and again in Bakunin's politics with little concern for whether it was consistent with other elements of his programme.

This was perhaps the first issue to separate him from Marx and Engels. They vehemently rejected pan-Slavism as a reactionary current splitting the revolutionary movement in central Europe, which in their view ought to centre on the unification of Germany but should also ally itself with the national struggles of the Poles and Hungarians. Their position was not at all that of German nationalists but because they believed revolutionary unification would be ring about the downfall of Russian, Austrian and Prussian absolutism and open the road first to a democratic and then a socialist revolution. Thus they judged the various national struggles as revolutionary or reactionary according to what attitude they took towards the Russian Tsar. Russia had played a central role in crushing Napoleon and the remnants of the French revolution, and, at the head of the Holy Alliance (with Austria and Prussia), had policed the long reactionary period from 1815 to 1848. Pan-Slavism in their view played into the hands of the Russian Tsar and his agents, who were posing as the liberators of the Slavs. Tsarism was the arch-reactionary superpower of the nineteenth century, the backer and inspirer of all attempts to crush the bourgeois democratic revolutions of 1848. The slightest coquetting with it, as Bakunin did, was anathema to Marx and Engels.

The Austrian authorities arrested Bakunin during his stay in Prague and transported him to Saxony where he was sentenced to death but handed over to the Tsar, being imprisoned in the infamous Peter and Paul Fortress in St Petersburg. He was to spend the next eight years there, much of it in isolation. He then spent a further four in internal exile in Siberia. In an attempt to get his death sentence commuted to life, he did one of the most bizarre things in his political career. He wrote a *Confession to Tsar Nicholas I* (1851), which fortunately for him was not discovered and pub-

lished till after the revolution of 1917. In it, he appealed to the Tsar to foment social revolution and place himself at the head of a movement to create a decentralised state, based on federated peasant communes, on the grounds that he would thereby be acting in accord with Russian instincts and that the revolution would be less bloody and brutal.

Even more curiously for the future apostle of anarchy, in the *Confession* Bakunin outlined his ideas on the role of an exceptionally authoritarian secret society both during and after a revolution: "All clubs, newspapers, and all manifestations of an anarchy of mere talk were to be abolished, all submitted to one dictatorial power; the young people and all able-bodied men divided into categories according to their character, ability, and inclination were to be sent throughout the country to provide a provisional revolutionary and military organisation. The secret society directing the revolution was to consist of three groups, independent of and unknown to each other: one for the townspeople, another for the youth, and a third for the peasants.

"Each of these societies was to adapt its action to the social character of the locality to which it was assigned. Each was to be organised on strict hierarchical lines, and under absolute discipline. These three societies were to be directed by a secret central committee composed of three or, at the most, five persons. In case the revolution was successful, the secret societies were not to be liquidated; on the contrary, they were to be strengthened and expanded, to take their place in the ranks of the revolutionary hierarchy."<sup>11</sup>

Apologists for Bakunin have explained this *Confession* as simply a ruse to get his sentence reduced. But this does not explain why he resorted to such appeals when he was a free man. Years later he made similar appeals to "benevolent" dictatorial rulers, to Nicholas I's "liberal" successor, Alexander II (in 1862), to King Charles XV of Sweden (in 1863), and, according to Hal Draper, to the entire Russian feudal nobility in 1869-70.<sup>12</sup>

Subsequently, having made his escape via a long journey across Siberia and the United States, Bakunin returned to Europe. Here he was influenced by various intellectuals and activists, notably in 1862-64 by Alexander Herzen, the father of Russian populist "socialism". But it was



in Italy, in 1865-67, that he became an anarchist. At this time, the country still had a living culture of secret societies ranging from the freemasons to the *carbonari*. In this context, Giuseppe Fanelli and Carlo Gambuzzi won him to the use of the term anarchism and later became important members of Bakunin's Alliance for Socialist Democracy.

## THE INTERNATIONAL BROTHERHOOD

In 1866 Bakunin formed the International Brotherhood. Like its predecessor, the Brotherhood that he had set up in 1864 in Florence and many of Bakunin's other organisations, it never accumulated a large membership. In fact, it was tiny. However, its importance is twofold; it was the first anarchist organisation that Bakunin set up; and its *Principles and organisation of the International Brotherhood* (1866) was the first and, in many ways, the prototype for all of Bakunin's statutes and programmes. Since the libertarian writer Daniel Guérin describes these statutes as "the least well-known and maybe the most important of Bakunin's anarchist writings"<sup>13</sup> it is worth

one is free then there can be no contradiction between their wills. This forms the basis for Bakunin's rejection of democracy, as this limits the individual rights of minorities and, indeed, the individual. So, for Bakunin, it is illegitimate for majorities to pursue policies that have been won following democratic debate and discussion, as this would violate the individual rights of the minority participants. There is an extreme egoism underpinning this thinking; the self expression and arrogance of one agent is allowed to obstruct the democratic will of the community. This thinking persists today in the insistence on "consensus" decision making in the anticapitalist movement where, more often than not, decisions are still made and imposed but by unaccountable and self-appointed leaders, i.e. minorities, in the absence of a democratic vote.

Following on from this was Bakunin's "absolute rejection of every authority including that which sacrifices freedom for the convenience of the state".<sup>15</sup> In the *Principles and Organisation of the International Brotherhood*, Bakunin recognised the rights of political opposi-

this reason, he asserts, the revolution must start with and retain a "local" character. At the same time, however, he blithely asserts that "national revolutions must become international in scope, just as the European and world reaction is unified; there should no longer be isolated revolutions, but a universal, worldwide revolution".<sup>19</sup>

The revolution envisaged by the International Brotherhood involved two political acts, the abolition of the state and the church and the abolition of inheritance, with the instrument of the revolution being the conspiratorial civil society.<sup>20</sup> Bakunin advanced these policies relatively consistently throughout his life and they remain typical features of the anarchist strategy today. He often treated the abolition of inheritance as enough to abolish capitalism itself, when in fact it is simply a juridical reform, albeit a radical one. As the end goal of his programme, it contrasts sharply with the Marxist policy of the socialisation of the means of production and democratic planning undertaken by a workers' government, based on the armed people. Such a state would, for Bakunin, infringe on the individual rights of its citizens by imposing an authority, however democratic.

The roots of these differences lie in the fundamentally different philosophical premises that Marxists and Anarchists hold about reality and history. Before considering the role of Bakunin in the First International it is necessary, if we are to establish a global critique of anarchism as a political strategy, to look at these fundamental questions.

## FREEDOM IN MARX AND BAKUNIN

Ann Robertson, in *The Philosophical Roots of the Marx-Bakunin Conflict*,<sup>21</sup> shows that Bakunin used an entirely different philosophical premise for the concept of freedom from that used by Marx. As various anarchist defenders have pointed out,<sup>22</sup> Bakunin did not reject all authority; he recognised that human beings are part of nature and thus subject to "natural law". Rather, he believed that only by obeying their natural instincts and by disregarding all limitations imposed by other people, that is, society, could humans be truly free. Restrictions imposed by society nullify this instinct; they are unjust. Natural laws, on the other hand, do not restrict

## Bakunin argued that the new society must be reorganised "from the base to the summit, from the circumference to the centre, according to the principles of free association and federation"

explaining some of its key ideas. Indeed, as a whole, the pamphlet brings together the key tenets of his anarchist ideology.

The first principle, the starting point of Bakunin's programme, is that absolute freedom for each individual can be reconciled and fulfilled only in a society of free individuals: "It is not true that the freedom of one man is limited by that of other men. Man is really free to the extent that his freedom, fully acknowledged and mirrored by the free consent of his fellow men, finds confirmation and expansion in their liberty. Man is truly free only among equally free men; the slavery of even one human being violates humanity and negates the freedom of all."<sup>14</sup> Bakunin characteristically turns the idea of freedom into an absolute, that is, an unconditioned and uncontradictory unity. He simply asserts that if every

tions to organise, "even those associations which advocate the undermining (or destruction) of individual and public freedom".<sup>16</sup> However, there was of course a vulgar contradiction between his activity with secret societies and his publicly expressed views.<sup>17</sup> During his association with Sergei Nechaev in 1869-70 and, more importantly, in his practical struggle against Marx and Engels within the International, Bakunin put into practice the plans he had confessed to the Tsar in 1851 – "all clubs, newspapers, and all manifestations of an anarchy of mere talk were to be abolished, all submitted to one dictatorial power".

Bakunin argued that the new society must be reorganised "from the base to the summit, from the circumference to the centre, according to the principles of free association and federation".<sup>18</sup> For



freedom:

"Those laws are not foisted upon us by any external law-maker living either alongside or above us; they are, rather, immanent, and inherent within us, representing the very foundations of our being, material, intellectual, moral alike; instead of finding in them curtailments, we should look upon them as the actual conditions and effective grounding of our liberty."<sup>23</sup>

To reconcile this concept of absolute individual liberty with society, that is, to escape the antisocial egoism of Max Stirner (1806-1856) author of *The Ego and His Own* (*Der Einzige und sein Eigentum*, literally The Individual and his Property) Bakunin defined the new, free society thus: "collective liberty and prosperity exist only so far as they represent the sum of individual liberties and prosperities."<sup>24</sup> In other words, egotism, in the commonsense meaning of anti-social selfishness, will simply fade away once the authority of the Church, the State, the landlord and the capitalist is abolished. Here Bakunin had recourse to the notion of natural goodness or sociability, which Stirner had contemptuously rejected. This will take over and reconcile all differences in a free society when individuals abide by the laws of nature. All external compulsion, even that of a democratically agreed majority, results in oppression.

Marx's concept of freedom, on the other hand, is defined historically according to given material conditions. Marx took from Hegel the insight that history is the development of humanity from the realm of nature and instinct to the realm of rationality and freedom. In *The German Ideology*, written in 1845, Marx and Engels showed that individual needs can only be met through society, and that the social relations which see to the satisfaction of these needs determine our consciousness. These in the earliest stages consisted of extended family, clan, and tribal relations but at a certain stage in human history become class relations.<sup>25</sup>

The repeated changes in the mode of production with which these needs are met, the different ruling and exploiting classes within these modes create changing ideologies or ruling ideas. This successively changes our notions of such concepts as the natural, law, justice, morality and freedom. In so doing, society creates new needs and new ideas to

correspond with these. Far from being fixed permanently in an unchanging nature, ideas such as liberty are relative and change as society itself undergoes evolution and revolution. Throughout history so far this has remained an unconscious process; individuals perceive the means of production and the social and legal institutions developed to preserve them not as they are, the collective basis for human society, but, privately, as something forced upon them from the outside, alien forces rather than their own product.

As Robertson says: "The goal of a socialist society is to invert this relation. Instead of individuals feeling powerless in the face of their own social institutions, by directly coming together through organised discourse, they place themselves in a position to alter these institutions according to their own needs and values. But this can only be accomplished when individuals are operating as a coordinated force, where they are discussing, debating and voting on which options to pursue, and where everyone has the opportunity to participate. Consequently a socialist society brings into play a new definition of freedom, and, in Marx's opinion, a superior conception: the collective, rational determination of social policy."<sup>26</sup>

This lays the basis for Marx's criticism of the bourgeois notion of freedom, which is based on individual rights, "based not on the association of man with man, but on separation of man from man... the right of the restricted individual".<sup>27</sup> This isolated and atomised individual or "ego", that Stirner and Bakunin start from, and whose absolute freedom they proclaim, is not at all a product of nature but, rather, the unit of bourgeois civil society (*bürgerliche Gesellschaft*, the term adopted by Hegel in his *Philosophy of Right*). It is a product of a society that is "freeing" the great majority of society from ownership or access to the land, tools and workshops, casting them as propertyless individuals onto the market where they have nothing to sell except their capacity to work. Thus the majority of the population become proletarians, alienated from the means of production and from its products, except just so much as is needed to reproduce their capacity to labour.

This emerging capitalist society engendered a viewpoint which always starts from the alienated individual and

is to be seen alike in the classical political economists Adam Smith (1723-1790) and David Ricardo (1772-1823) for whom the "hidden hand" of the market creates a society out of these isolated units, and in Jean-Jacques Rousseau (1712-1778) whose sovereign individuals have to make a social contract. In fact, this bourgeois individualism is not a perfect freedom of the individuals, which could, and would be absolute if only the state and the church could be abolished, but is the basis for another form of social slavery: wage slavery. Marx came to this view as early as 1845: "Precisely the slavery of civil society is in appearance the greatest freedom because it is in appearance the fully developed independence of the individual, who considers as his own freedom the uncurbed movement, no longer bound by a common bond or by man, of the estranged elements of his life, such as property, industry, religion, etc., whereas actually this is his fully developed slavery and inhumanity."<sup>28</sup>

Despite these different concepts of freedom held by Marx and Bakunin, the latter occasionally paid homage to Marx's historical materialist method. Indeed, in his most mature work, *Statism and Anarchy*, Bakunin wrote of "the principle that juridical evolution in history is not the cause but the effect of economic development, and this is a great and fruitful concept... to Marx belongs the credit for establishing it as the basis for an economic system".<sup>29</sup> Nevertheless, elsewhere, he is quoted as saying, in comparison to Proudhon, "It is likely that Marx could construct a more rational theory of freedom, but he lacks the instinctive feeling for it. As a German and a Jew, he is authoritarian from head to foot."<sup>30</sup>

We will return to the implied racist slur later, but these quotes reveal that Bakunin never really understood Marx's materialism at all. He praised the discovery that juridical evolution is, in the last analysis, caused by the development of the economic base, yet, in his programme and at the Basle congress of the IWMA, he turned the abolition of the right of inheritance (a juridical measure of a capitalist state as compared to the abolition of private property altogether) into a panacea, which would somehow abolish capitalism by itself. Bakunin constantly made appeals to freedom, autonomy, justice, equality as ahistorical, i.e. as natural ideas operating through histo-



ry. Likewise, he treated terms like authority, the state and god, in the same a-temporal and non-class fashion.

## AUTHORITY

Flowing from Bakunin's idealised individualism is his absolute rejection of all authority. He argues that authority is the origin of exploitation and social oppression rather than a product of it. Even democracy, sometimes especially democracy, is denounced as a hidden form of authority. The state and religion both spring from this principle: the recognition of authority (divine and human).

Engels tore this upside down approach apart in his pamphlet, *On Authority* (1872) showing that all forms of human society are based on some sort of authority; that modern large scale industry demands it, but that the working class must step by step limit its sphere to the administration of things and democratically exercise control over social production. In so doing, the working class will abolish the authority of the capitalist over production, replacing it with the collective authority of the workers both in production and in the state, whose coercive powers, at first maintained to hold down the expropriated capitalists, will gradually wither away.

For Bakunin, authority was the antithesis of individual autonomy, which, as for Stirner and Proudhon, lay at the centre of his political philosophy. As we can see, like all anarchists and liberals, Bakunin could not help returning to this individualism as the central building block of his social theory. However, unlike Stirner's absolute egotism, which allowed for no collective action, and Proudhon's peaceful economic mutualism, Bakunin accepted the need for mass revolutionary action, from the mass strike up to the violent insurrection. That is, he wanted to base his programme on the capture by the workers of the modern means of production: factories, transport infrastructure, and so forth.

The problems he encountered and never succeeded in answering were: how can any modern, industrial society be run without the subjection of the individual's will to some sort of social authority, whether that be imposed by the single capitalist or by the democratic will of the associated workers? How can the geographical, economic and social inequalities inherited from capitalist society be overcome without an overall

central viewpoint, a conscious plan, and the democratically derived authority to impose it, if need be, on privileged, selfish or genuinely antisocial minorities and individuals? And how can the revolution be brought about and defended when it triumphs in isolated cities or nations without revolutionary force being mobilised from these hubs, by a central authority?

Engels explained these contradictions. He took three examples of modern society, the cotton mill, the railway and the steam ship, to show that, even if all political authority were abolished overnight on the morrow, the very means of production and transportation would demand cooperation, exact time-keeping, the precise ordering of processes and so on. If these were not imposed by discipline, the raw cotton would be rendered completely useless, the steam at the mill would be built up at the wrong time, trains would crash and ships sink.

He drew the conclusion that, "wanting to abolish authority in large-scale industry is tantamount to wanting to abolish industry itself, to destroy the power loom in order to return to the spinning wheel". Yet such a return was itself completely utopian because "the material conditions of production and circulation inevitably develop with large-scale industry and large-scale agriculture, and increasingly tend to enlarge the scope of this authority. Hence it is absurd to speak of the principle of authority as being absolutely evil, and of the principle of autonomy as being absolutely good. Authority and autonomy are relative things whose spheres vary with the various phases of the development of society."<sup>31</sup>

By introducing the concept of the relativity of authority and autonomy into the equation, Engels started a debate about the proletariat fighting to confine authority "solely to the limits within which the conditions of production render it inevitable"<sup>32</sup>. But this gives rise to a series of other questions, none of which Bakunin wished to touch upon precisely because they involved the proletariat fighting to impose its own authority against the bourgeoisie. In other words, they involved a political fight or raised the economic struggle to a political level. The need for the working class to struggle for authority within the production process was later to be taken up by the Communist International in the demands for workers' control of the pro-

duction process.

Today, in a world where billions live below the most minimal standards of human decency and where wholesale destruction of the environment threatens the lives of millions, it is plain that humanity's productive forces more than ever need to be planned democratically. Are minorities or individuals to be allowed to veto such planned action until they can be persuaded to change their minds?

## THE STATE

Against Engels' arguments, Bakunin could only offer the simplistic and ultimately sterile counterposition of authority and autonomy in formal logic. He also conflated the concepts of oppression and exploitation. He viewed the state not as the instrument by which the ruling class defends and extends its property relations against the exploited classes, but as the essential means by which the ruling class exploits the other classes. For Bakunin, to abolish the state is, at one and the same time, to abolish exploitation, since the former cannot exist without the latter. He argues: "If there is a state, there must be domination of one class by another and, as a result, slavery; the state without slavery is unthinkable, and this is why we are the enemies of the state."<sup>33</sup>

Engels responded to this argument: "Bakunin maintains that it is the state which has created capital, that the capitalist has his capital only by grace of the state... As, therefore, the state is the chief enemy, it is above all the state which must be done away with and then capitalism will go to blazes of itself. We, on the contrary, say: do away with capital, the concentration of all the means of production in the hands of the few, and the state will fall of itself."<sup>34</sup>

Bakunin defended his position against the Marxists in his pamphlet, *Statism and Anarchy* (1873). Marx read it in the original Russian and copied out long excerpts, along with critical remarks. Marx succinctly answers the common criticisms made of Marxism by anarchists today.

**Bakunin:** "If the proletariat becomes the ruling class, over whom will it rule?"

**Marx:** "So long as... the capitalist class exists and the proletariat struggles against it, it must employ forcible means, hence governmental means"

**Bakunin:** "Will the dictatorship of the 'urban factory proletariat' govern over



the peasantry?"

**Marx:** Yes, the workers "must as government take measures through which the peasant finds his condition immediately improved, so as to win him to the revolution... It must not hit the peasant over the head, as it would e.g. by proclaiming the abolition of the right of inheritance."

**Bakunin:** "Will the entire proletariat perhaps stand at the head of government? Will all 40 million Germans be members of the government?"

**Marx:** "In Bakunin's constitution, will all 'from the bottom to top' be at 'at the top'? Then there will be certainly be no one 'at the bottom'... the whole thing begins with the self-government of the commune." (In other words, Marx's concept of workers' democracy has the same starting-point as Bakunin's; moreover, the latter tacitly recognises the need for representation and centralisation.)

Bakunin ends his polemic by stating that "the pseudo-People's State will be nothing but a despotic control of the populace by a new and not at all numerous aristocracy of real and pseudo-scientists. The 'uneducated' people will be totally relieved of the cares of administration, and will be treated as a regimented herd. A beautiful liberation, indeed!!"<sup>35</sup> He mocks the claim that "this dictatorship will only be transitional and short".

Marx's answers in his notebook are quite short and reiterate the basic position that "the proletariat still acts, during the period of struggle for the overthrow of the old society, on the basis of that old society, and hence still moves within the political forms which more or less belong to it; it has not yet, during this period of struggle, attained its final constitution, and employs means for its liberation, which after this liberation fall aside."<sup>36</sup>

Various liberal commentators<sup>37</sup> and, of course, anarchists, have argued that Marx is dismissive of the dangers of bureaucracy and that Bakunin foresaw the dangers of the political expropriation of the proletariat by a bureaucratic caste, as happened in the Soviet Union. But such a defence of Bakunin is wrong on several accounts. First, it ignores his own plans for an "invisible dictatorship" which was to have no transitional nature and be totally unaccountable, a programme he never published (for obvious reasons; it was to operate behind the people's backs!) and never renounced.

Second, Marx was not advocating the



rule of a "numerically very small" educated elite, but developing the programme of a mass international workers' party struggling for power. He obviously could not have predicted the course of development of the early 20th century. The Second International in 1914 collapsed as its sections chose to support "their" imperialist governments in a barbaric First World War, rather than wage a revolutionary struggle for power. As it turned out, the first workers' revolution occurred in Russia and eventually degenerated. Today, with the benefit of the experience of Stalinist degeneration, revolutionaries must build into their programme anti-bureaucratic measures. To do so is entirely consistent with Marx's own theory of revolution.

In 1871, only two years prior to Bakunin's attack on the dictatorship of the proletariat, there was a living, historical example of a workers' government: the Paris commune. The Parisian working class rose up and seized political power, which it used to wage a generalised economic, political and military war against the bourgeoisie. Rather than simply take over the bureaucratic-military machinery of oppression, it replaced the standing army with the armed people, introduced laws to safeguard and promote the interests of the proletariat and other oppressed classes and social groups (e.g. women), and sought to spread the revolution. Marx and Engels, quite rightly, sought to generalise and codify the lessons of this experience, concluding that it showed the viability of proletarian power, but also the need to completely smash the bourgeois state machine.<sup>38</sup>

In the meantime, Bakunin provided not one, but two, practical experiences, by which his programme could be judged. On 28 September 1870, he led a putsch in Lyons. In *The Alliance of Social Democracy and the split in the First International*, Marx and Engels recounted the sorry affair: "Bakunin installed himself there [Lyons city hall]. Then came the critical moment, the moment awaited for many years, when Bakunin could carry out the most revolutionary act the world had ever seen – he decreed the abolition of the state. But the state, in the form and nature of two companies of bourgeois National Guards, swept the hall, and set Bakunin hurrying back on the road to Geneva."

There were only 20 people in Bakunin's band and, two days before Bakunin's arrival on the scene, they had voted against the putsch. But, in a reversal of history's more usual order, tragedy was to follow farce. In 1873, in Spain, the king abdicated, thereby creating a prolonged revolutionary crisis through much of the country. The Bakuninists had substantially greater influence than the Marxists; indeed they were the dominant force among the Internationalists. But Spain was a backward country, with no chance of the immediate emancipation of the working class. Nevertheless, as in all revolutionary situations, the working class wanted to participate in elections to a Constituent Assembly.

In his pamphlet, *The Bakuninists at Work*, Engels documented how the anarchists abandoned their principles and decided that Internationalists, "as individuals, could act on their own as they thought fit, and join any party they chose..."



Most members of the International, including the anarchists, took part in the election with no programme, no banner and no candidates, thereby helping to bring about the election of almost exclusively bourgeois republicans."<sup>39</sup>

As the crisis developed, the Bakuninists proceeded to abandon more of their principles. They entered into revolutionary governments in "various towns, and moreover almost everywhere as an impotent minority, outvoted and politically exploited by the bourgeoisie... Neither the Bakuninists themselves nor the masses they led had any programme nor knew what they wanted when they joined the movement. The natural consequence of this was that the Bakuninists either prevented any action from being taken... or drifted into sporadic, desultory and senseless uprisings... or that the leadership of the uprising was taken over by the... bourgeoisie".<sup>40</sup>

The fact that the anarchists followed the dogma of federated communes and refused to centralise the forces of the various towns they held "enabled the government to conquer one city after another with a handful of soldiers, practically unresisted"<sup>41</sup>. Worst of all, for Engels, was the resulting disintegration of the Internationalist forces in Spain "perhaps for years to come" and the legacy of defeat, which "philistines of all countries" would latch on to.

## POLITICAL ACTION

Engels' criticism of the Spanish Bakuninists, that they did not organise the proletariat independently to fight for a programme of radical political reforms and place demands on the radical wing of the bourgeoisie, the Intransigents, and the government, was a crucial one. For Marx and Engels, this was part of the essential work of preparing the proletariat to seize political power, both because such reforms would lead to better conditions in which to continue the class struggle, and because it would teach the workers how to use political power when the opportunity for them to seize it presented itself.

Thus, they sought to engage the International in political action: for legal limits to the length of the working day, for elementary public education of children, for universal suffrage, for popular militia to replace the standing army and in solidarity with revolutionary democratic movements in Poland, Ireland and

America, for example. Workers themselves, primarily through the trade unions, spontaneously generated political campaigns on many of the above-mentioned issues. Many, such as the fight for a limit to the working day, for trade union rights and freedom of the press, for education rights, for nationalisation of the land and infrastructure, were clearly part of the struggle of the working class to maintain its minimum standards of well-being, without which it would be driven to the point of extinction, or at least see its social standing deteriorate further. These were all vitally necessary struggles, equally as important as the struggle for better wages.

On the more overtly political issues, too, the working class was not slow to begin its own campaigns and take up its own point of view. Even before the formation of the International, the English trade unions had started to take a keen interest in foreign affairs, both as a means to prevent the use of foreign scab labour and to support democratic movements. Working class support for the Polish insurrection of 1863, and the London Trades Council's mass demonstration and rally in support of Garibaldi in 1864 were both positions contrary to the interests of Britain's bourgeoisie. Indeed, Garibaldi was deported from the country after the London rally in order to prevent him being similarly fêted by Sheffield and Birmingham Trades Councils.

Workers' support for the North in the American Civil War was even more remarkable. It ran contrary to workers' direct and immediate interests as the resultant cotton famine produced mass lay-offs in the Lancashire mills. Furthermore, it had a direct effect, preventing the British government from openly supporting the South. Marx encouraged all these campaigns, seeing them as essential in the struggle for working class independence, and linking them directly to the socialist goal: "The fight for such a foreign policy forms part of the general struggle for the emancipation of the working classes. Proletarians of all countries, unite!"<sup>42</sup>

Bakunin joined the International after Marx's battle against the political indifference of the Proudhonists, which was started at the Geneva congress of 1866 and decisively won at Brussels in 1868. Bakunin, moreover, did not hold to the complete abstention from the struggle for reforms within capitalism that char-

acterised Proudhonism, since he supported trade unions and strikes. Nevertheless, he often displayed his hostility to working class political action, denouncing both the value of any reforms that could be won from the bourgeoisie as practically worthless, and the spirit of "compromise" that any such struggle would engender within the working class, deflecting it from the goal of abolishing capitalism.

For example, he was most vocal in his denunciation of the fight for working class children's education. In *L'Egalité*, the newspaper of the Swiss Federation that Bakunin controlled, he argued that, "Bourgeois socialists demand only a little education for the people, a *souçon* more than they currently receive; whereas we socialist democrats demand, on the people's behalf, complete and integral education, an education as full as the power of intellect today permits."<sup>43</sup>

Nonetheless, he ended up declaring that such a reform could only result in workers receiving propaganda from a "hostile social background", and counterposing to it the economic struggle:

"The emancipation of the workers is the task of the workers themselves... This is the fundamental principle of our great association. But the workers know little about theory and are unable to grasp the implications of this principle. The only way for the workers to learn theory is through practice: emancipation through practical action. It requires the full solidarity of the workers in their struggle against their bosses, through the trade unions".<sup>44</sup>

Bakunin's image of the working class here was an idealist and workerist one, which betrayed his lack of practical work among the industrial proletariat. This anti-intellectualism, as we shall see, was also fundamental to Bakunin's political strategy. In this, the working class needed only to remain true to its spontaneous instincts. Contamination by bourgeois society, through education, no less than through parliamentary action, would dull this instinct. Thus, Bakunin not only appealed to the anti-intellectual prejudices of sections of the working class, he also actively encouraged them.

Marx took a wholly opposite view: "In too many cases, [the worker] is even too ignorant to understand the true interest of his child, or the normal conditions of human development. However, the more enlightened part of the working class



fully understands that the future of its class, and, therefore, of mankind, altogether depends on the formation of the rising working generation. They know that, before everything else, the children and juvenile workers must be saved from the crushing effects of the present system. This can only be affected by converting social reason into social force, and, under given circumstances, there exists no other method of doing so, than through general laws, enforced by the powers of the state. In enforcing such laws, the working class does not fortify governmental power. On the contrary, they transform that power, now used against them, into their own agency."<sup>45</sup>

Marx neither overestimates the workers' thirst for self-improvement, nor lumps them all in as unthinking and passive. Instead, he points out the variegated character of the class, and promotes a campaign, whereby the "more enlightened" part can spread its influence among and raise the awareness of the "too ignorant" part. Some commentators, however, have seized on the last two sentences quoted above to argue that Bakunin was more finely attuned to the dangers of reformism, the doctrine that socialism can be won through a peaceful process of reforming capitalism through its own democratic institutions, than Marx. But this, again, is an anachronistic criticism, which fails to see what Marx was trying to achieve in the International.

Marx was proposing and helping to implement independent political activity by the working class, which, aside from the Chartist movement, had never happened before. Marx was confronted by a mass and growing working class movement, in a situation, where the seizure of political power was not on the immediate agenda. What should it do? Marx proposed that it should fight for immediate improvements, which would raise the material and intellectual level of the whole class, at the expense of the capitalists. The method he used also prefigured the united front tactic, in the sense that non-revolutionary workers, and their leaders, could unite around demands that would take them closer to reaching revolutionary conclusions. In both these senses, the gaining of pro-working class measures at the expense of the bourgeoisie, and the raising of workers' consciousness, he was not "fortifying governmental power" but taking the first steps towards "transforming that power".



Barricade in the rue de Rivoli during the Paris Commune, 1871

On the other hand, Bakunin clearly did not have any materialist understanding of reformism, but a fundamentally idealistic one: "It is clear that every political movement, whose objective is not the immediate, direct, definitive, and complete economic emancipation of the workers, and which does not clearly and unmistakably proclaim the principle of economic equality, i.e., restitution of capital to labour or social liquidation – that every such political movement is a bourgeois movement and must therefore be excluded from the International. The politics of the bourgeois democrats and the bourgeois socialists is based on the idea that political liberty is the preliminary condition for economic emancipation. These words can have only one meaning... The workers must ally themselves with the radical bourgeois to first make the political revolution; and then, later, fight against their former allies to make the economic revolution."<sup>46</sup>

This can only have one meaning: that workers must refrain from any political action whatsoever. Electoral activity was, for Bakunin, the worst form of political activity, because any progress in that direction, including the fight for universal suffrage, led towards the working class striving for state power.

## STRUGGLE FOR POWER

This was not Bakunin's only objection. He thought it also held the door open to compromise, e.g. alliances with the liberal and "socialist" bourgeoisie in obtaining the vote and forming blocs with working class parties in parliaments. In this, he had much ammunition with the record of the English trade unionists, who collaborated with the Liberals' Reform League, and the Germans' bloc with the Volkspartei. Indeed, the English trade unionists, having won partial suffrage for registered (essentially, skilled) workers through the 1867 Reform Act, went on to support the Liberal Party in the 1868 election. However, both Marx and Engels were, if anything, more critical of both these examples of "disgraceful" class collaboration. And, of course, Bakunin himself also endorsed and even encouraged his Spanish followers to use electoral tactics in 1873.

Marx and Engels fought their decisive battle inside the International precisely on the issue of preventing the working class movement from becoming the "fag-end of the 'great Liberal Party'".<sup>47</sup> At the London conference of the International (1871) they successfully moved the resolution on working class political action, which contained the following key phras-



es, "... Considering, that against this collective power of the propertied classes the working class cannot act, except by constituting itself into a political party, distinct from, and opposed to all old parties formed by the propertied classes; that this constitution of the working class into a political party is indispensable in order to ensure the triumph of the social revolution and its ultimate end – the abolition of classes..."<sup>748</sup>

Against this, Bakunin preached complete political abstention. As we have seen from the experience in Spain, in every great political crisis, revolutionary or counter-revolutionary, it is impossible for the masses to ignore political action, that is, the seizure of power. But in these crucial situations, Bakunin ends up advising the masses to act precisely as the "fag-end" of the liberal bourgeoisie, because he does not struggle for an alternative government. There is a further, more fundamental difference in the approaches of Marx and Bakunin, which is revealed here. For Bakunin, the intelligentsia had to play the role of "intermediaries between the revolutionary idea and popular instinct". "This instinct", he insisted, "is a fact which is completely primordial and animalistic... It is a matter of temperament rather than intellectual and moral character." Far from believing workers knew little about theory, Bakunin actually accused Marx of "ruining the workers by making theorists out of them".<sup>49</sup>

Marx and Engels, on the other hand, had long been convinced that working class emancipation had to involve the working class seizing and consciously planning the use of all the instruments of production in order to build socialism. Directly answering Bakunin's problem of how to create "unity of thought and action", they replied, "The members of the International are trying to create this unity by propaganda, by discussion and the public organisation of the proletariat."<sup>50</sup>

For them, trade unions were more than organs for securing economic demands: "It is in trade unions that workers educate themselves and become socialists, because under their very eyes and every day the struggle with capital is taking place." Political campaigns and the formation of a political party were their means of speeding up this development of consciousness from "a class in itself" into "a class for itself".

The problem of reformism stems not in the industrial working class, per se, but in its heterogeneity. At the top end, there is an aristocracy of labour, better paid, more secure in its social position, with more bargaining power in the labour market. This layer was over-represented in the trade union movement as a result. Marx and Engels increasingly saw this as a defect in the English movement, "despite its great organisational strength". As early as 1866, Marx was urging the unions to become, "organising centres of the working class in the broad interests of its complete emancipation. They must aid every social and political movement tending in that direction... They must look to the interests of the worst paid trades... [and] aim at the emancipation of the downtrodden millions."<sup>51</sup>

## THE SECRET SOCIETY

Bakunin accepted that the modern working class, the proletariat, is a revolutionary class. However, he abhorred its inherent appetite for theory and books, for political activity and its having been "seduced" by the idea of holding political power, that is, the revolutionary workers' state. In his search for a revolutionary force that was more suited to his strategy, he gravitated towards the peasantry or, rather, he returned to his pre-anarchist populist roots. In *Letters to a Frenchman*, Bakunin explained at length why the peasantry should be considered inherently socialist, what the relationship between the peasantry and the proletariat should be, and the role of revolutionaries in directing peasant struggles.

Compared with some other writers, Bakunin is far from dewy-eyed about the peasantry. He summarised the antagonism many workers felt towards the peasants thus: "There are three grievances. The first is that the peasants are ignorant, superstitious, and fanatically religious, and that they allow the priests to lead them by the nose. The second is that they are zealously devoted to their emperor. The third is that the peasants are obstinate supporters of individual property."<sup>52</sup> City workers, on the other hand, "are immeasurably more inclined towards communism than are the peasants", but his conclusion was that, "this is no reason to praise the workers for their communist inclinations, nor to reproach the peasants for their individualism".<sup>53</sup> He went further: "The more

sophisticated, and by that very circumstance, slightly bourgeois-tinged, socialism of the city workers, misunderstands, scorns, and mistrusts the vigorous, primitive peasant socialism, and tries to overshadow it."<sup>54</sup>

Instead of "overshadowing" the peasants, Bakunin advocated that the workers adapt their policies to the prejudices of the peasants: "where the Emperor [Napoleon III] is loved, almost worshipped, by the peasants, one should not arouse antagonism by attacking him... [instead only] the functionaries of the Emperor – the mayors, justices of the peace, priests, rural police, and similar officials – should be discredited."<sup>55</sup> We could surely be forgiven for thinking that Bakunin's hatred of authority was only skin deep if such concessions were legitimate! His advice is all the more outrageous when we remember that it was given immediately after the Parisian working class had overthrown Napoleon III in the revolution of 4 September 1870. In such circumstances, any concessions to the Emperor would have enormously weakened the revolution.

For Bakunin, this was no tactical blunder but, rather, a strategic orientation away from the proletariat and towards the peasantry. The workers, Bakunin wrote, should not seek to impose any socialist reforms on the countryside since this would "give another army of rebellious peasants to the reaction". He despaired of the Parisian working class, for whom he thought (five months before the Commune) the game was already up, and he advised his supporters to organise the peasants, who would be "a thousand times better and more just than any existing organisation" of the workers.<sup>56</sup>

In his search for a vehicle for his revolution, Bakunin turned increasingly not just to the peasantry, but in particular to the lumpenproletariat and rural banditry. The former he described as "the 'riff-raff', that rabble which, being very nearly unpolluted by all bourgeois civilisation, carries in its heart, in its aspirations, in all necessities and the miseries of its collective position, all the germs of the socialism of the future".<sup>57</sup> The latter he often romanticised and, in a private letter to Nechaev, confessed "to use the bandit world as an instrument of popular revolution ... is a difficult task: [but] I recognise that it is necessary"<sup>58</sup>.

This still left a huge problem for



Bakunin in his strategy. In France, the peasantry, in general, was quiescent and in awe of god and the monarchy, but Bakunin believed both the church and the monarchy had to be abolished as the first act of the revolution. The peasantry, therefore, had to be guided towards its instincts by the secret Alliance. This strategy was most fully expressed at the end of Bakunin's 1869 *Program of the International Brotherhood*<sup>60</sup>, "This revolutionary alliance excludes any idea of dictatorship and of a controlling and directive power. It is, however, necessary for... the unity of ideas and of revolutionary action to find an organ in the midst of the popular anarchy which will be the life and the energy of the revolution. This organ should be the secret and universal association of the International Brothers." He continued, "... revolutions are never made by individuals or even by secret societies... They receive a long preparation in the deep, instinctive consciousness of the masses... All that a well-organised society can do is, first, to assist at the birth of a revolution by spreading among the masses ideas which give expression to their instincts, and to organise, not the army of the revolution – the people alone should always be that army – but a sort of revolutionary general staff, composed of dedicated, energetic, intelligent individuals, sincere friends of the people above all, men neither vain nor ambitious, but capable of serving as intermediaries between the revolutionary idea and the instincts of the people."

He concluded, "There need not be a great number of these men. One hundred revolutionaries, strongly and earnestly allied, would suffice for the international organisation of all of Europe. Two or three hundred revolutionaries will be enough for the organisation of the largest country."

So Bakunin's long journey to anarchism led him straight back to the strategy of his Confession of 1851. On reading the programme, Marx noted that the "general staff in the background [could only be] appointed and commanded by the permanent Citizen B[akunin]". The proletariat, organised in the International and beyond its ranks are thus rendered redundant, as "these hundred revolutionary guardsmen cannot be recruited anywhere but from among the privileged classes". The Marxists' jibe that, even within the Alliance, never

mind among the people, this could mean "nothing but orthodoxy and blind obedience"<sup>61</sup> could not have been closer to the mark. In fact, the Brotherhood of 1869 was founded because Bakunin had dissolved the original Brotherhood of 1866 after its (very few) members had revolted against his dictatorial methods.<sup>61</sup>

The discovery of letters from Bakunin to the Spanish and Italian Alliance members revealed that Bakunin intended the International itself to form one of the outer casings of his system of Chinese boxes. He told his Spanish followers of "a secret society which has been formed in the very bosom of the International in order to give the latter a revolutionary organisation"<sup>62</sup> and he urged the Italian brethren to form "nuclei composed of the surest, most devoted, most intelligent and most energetic members" inside the International, adding that they should be "only a very small number of individuals".<sup>63</sup> It was for this act that the Hague Congress of the International voted in 1872 to expel Bakunin and his main operators, James Guillaume and Adhemar Schwitzguébel.

## VIOLENCE AND RACISM

Despite the overwhelming evidence for Bakunin's secret operations against the International and the disastrously wrong strategies he advocated, many biographers and writers, like Paul Thomas and EH Carr, have tended to side with Bakunin or apportioned blame on the part of Marx, Engels and their collaborators. However, it is hard, if not impossible, to sustain such criticism today, when we can verify two sets of facts that were unverifiable in 1872.

The first of these is the full extent of the Nechaev affair. Sergei Nechaev was a young Russian from a poor working class background, who became active in St Petersburg student circles around the leader of so-called Russian Jacobinism, Pyotr Tkachev (1844-1886). Tkachev regarded Marx with great respect but his ideas were much closer to those of Auguste Blanqui (1805-1881), who believed that a secret conspiratorial organisation must "make the revolution" and institute a dictatorship. Tkachev's applied this method to Russia. His views can be summed up thus; a revolutionary seizure of power must be the work of an élite of vanguard intellectuals. This revolutionary socialist elite would establish a dictatorship for the workers, a workers'

state. Such a proletarian revolution was necessary immediately because a bourgeois revolution would probably embed private property for generations to come. Such a revolutionary leap over all intermediate socioeconomic stages was possible. Lastly, in order to ensure the eradication of private property based consciousness, he advocated the necessity of a Committee for Public Security like that of the Jacobins in French Revolution.

Nechaev added to Tkachev's ideas a powerful emphasis on contempt for all forms of contemporary morality, a stance that helped earn the Russian revolutionists of the 1870s the name Nihilists. He embodied this worldview in the famous *Catechism of a Revolutionist*: "Tyrannical toward himself, he must be tyrannical toward others. All the gentle and enervating sentiments of kinship, love, friendship, gratitude, and even honour must be suppressed in him and give place to the cold and single-minded passion for revolution. For him, there exists only one pleasure, one consolation, one reward, one satisfaction – the success of the revolution. Night and day he must have but one thought, one aim – merciless destruction. Striving cold-bloodedly and indefatigably toward this end, he must be prepared to destroy himself and to destroy with his own hands everything that stands in the path of the revolution."<sup>64</sup>

In January 1869 he left Russia, making up a story that he had escaped from the notorious prison the Peter and Paul Fortress. He met and collaborated with Bakunin in Switzerland in the spring of that year. It seems that the *Catechism of a Revolutionist* was a joint work. Its most famous passage is its opening words: "The revolutionary is a doomed man. He has no personal interests, no business affairs, no emotions, no attachments, no property, and no name. Everything in him is wholly absorbed in the single thought and the single passion for revolution."

The *Catechism* talked in the most nakedly elitist way of "second- or third-degree revolutionaries", who "should be regarded as part of the common revolutionary capital placed at [the fully initiated revolutionary's] disposal. This capital should, of course, be spent as economically as possible in order to derive from it the greatest possible profit." To be absolutely clear what this means, the *Catechism* demands the revolutionary "must be pre-



pared to destroy himself and to destroy with his own hands everything that stands in the path of the revolution."<sup>65</sup>

Nechaev returned to Russia in August 1869, with Bakunin's blessing and authority, claiming to be the emissary of the non-existent Worldwide Revolutionary Union. He set up a new secret society, *Narodnaya Rasprava* or People's Reprisal. But one of its members, a young student I Ivanov, began to voice doubts about the truth of Nechaev's claims of its numbers and strength and left *Rasprava*. Nechaev became increasingly paranoid and in November persuaded several other members, along with himself, to kill him. This they carried out by beating, strangling and shooting the unfortunate Ivanov, and then dumping his body in a frozen lake. Nechaev then escaped back to the West in February the following year, where he renewed his acquaintance with Bakunin, who continued to have great hopes in him, calling him "my tiger cub." However many Russian émigrés now deeply distrusted him and the case of Ivanov soon became widely known.

The important point is not whether Bakunin really believed that Nechaev was innocent or not, but, rather, that Nechaev was simply carrying out Bakunin's programme to its logical conclusion. Bakunin, in his now infamous final letter to Nechaev (which was understandably concealed by his followers until 1966), merely complained that Nechaev was starting to use such methods against himself: "Thus the simple law must be the basis of our activity: truth, honesty, mutual trust between all Brothers... lies, cunning, entanglement and, if necessary violence towards enemies."<sup>66</sup>

A second deeply discrediting episode from the early 1870s is Bakunin's virulently racist campaign against Marx in the months between the London conference and the Hague Congress. This has been well documented by Hal Draper.<sup>67</sup> In a series of semi-public circular letters to leading members of the International, Bakunin uses every anti-Semitic and anti-German smear and slander he can find to turn members of the International against Marx. The volume of material is devastating but, nevertheless, it is only necessary to quote one example:

"Well now, this whole Jewish world, which constitutes a single exploitative

sect, a sort of bloodsucker people, a collective parasite, voracious, organised in itself, not only across the frontiers of states, but even across all the differences of political opinion – this world is presently, at least in great part, at the disposal of Marx on the one hand and of the Rothschilds on the other. I know that the Rothschilds, reactionaries as they are and should be, highly appreciate the merits of the communist Marx; and that in his turn the communist Marx feels irresistibly drawn, by instinctive attraction and respectful admiration, to the financial genius of Rothschild. Jewish solidarity, that powerful solidarity that has maintained itself through all history, united them."<sup>68</sup>

As Draper points out, this campaign actually pre-dates modern anti-Semitism, which, in a sense, it pre-figures. Anarchists have tried to defend Bakunin by finding occasional "anti-Semitic" phrases in Marx's personal correspondence, particularly those aimed at Ferdinand Lassalle (1825-1864). Obnoxious as these are, they were never part of a public polemic. Bakunin whipped up this openly racist campaign specifically to defeat Marx and the General Council. But, again, it is not entirely divorced from his political method. His public writings, particularly *The Knouto-Germanic Empire and the Social Revolution*, in which Bakunin calls for a revolutionary alliance of Slav and southern European peoples, criticises Marx for failing to understand the importance of race.

## THE LEGACY OF THE INTERNATIONAL

At the beginning of this article we outlined what Marx and Engels set out to achieve through the International Working Men's Association, and the progress they made in the 1860s, up until the point when Bakunin launched his destructive operation to take it over. It is now necessary to complete the story of the International: in particular to show why Marx and Engels preferred to temporarily close down the General Council, in Europe at least, rather than let its programmatic and practical legacy become alloyed by Bakuninist nonsense.

Alongside the important work in organising solidarity for strikes, Marx was during this period engaged in an incredibly wide range of activities. Besides his work for the International he completed

the first volume of *Capital*, which was published in English in 1867, and in Russian in 1872. In his endeavours to turn the English trade unions towards the lower-paid trades and sections of the class, Marx fought three important campaigns. The first was to draw women into the trade unions and promote their profile. He not only supported the election of Harriet Law onto the General Council and (less successfully) as a delegate to the Brussels Congress, but proposed a series of special measures to encourage the active participation of women in the workers' movement, including "special credentials" for women delegates, i.e. reserved places, or a quota. At the London conference of September 1871 he won the International to "the formation of female branches among the working class", though not counterposed to "branches composed of both sexes"<sup>69</sup>. This foreshadowed the development of the tactic of women's caucuses in unions and parties.

Marx's struggle with the English union leaders over the question of Ireland was even more remarkable. Starting with the drafting of solidarity statements and campaigning for the rights and release of Fenian, i.e. Republican prisoners, Marx and Engels gradually came to the opinion that the relationship between the struggles of the British working class and for Irish national liberation were completely bound together. On behalf of the General Council he replied to Bakunin's objections to supporting nationalist struggles: "It is a precondition to the emancipation of the English working class to transform the present forced union (i.e. the enslavement of Ireland) into equal and free confederation if possible, into complete separation if need be."<sup>70</sup> For all Bakunin's talk about the federalist principle and the inalienable right to secede, it was Marx, who made the programmatic breakthrough and won the International to support real (as opposed to imaginary) national liberation struggles (in Poland as well as Ireland) and saw the correct relationship this bore on the class struggle as a whole.

The third campaign he and Engels fought was over electoral tactics and the use of elections to bourgeois parliaments to build up a mass political labour movement, independent of all bourgeois parties. As we have alluded to earlier, they were appalled by the way in which the



English trade unionists used their recently won right to vote to "chain the workers politically still more firmly to the bourgeoisie" by supporting the Liberal Party in the 1869 elections. They launched their campaign, finally successful at the London conference of 1871, when the resolution entitled *Political Action of the Working Class* cited above was passed.

Marx and Engels in no way believed that the working class could emancipate itself through gaining a majority in parliament (although, as noted, they saw the necessity of the fight for reforms) but because the workers' candidates could use parliament as a platform to rally them for the class struggle and organise their forces. Engels held up the speeches of the German workers' delegates against the Franco-Prussian war as an example:

"If, like Bebel and Liebknecht, they are able to speak from this platform, the entire world can hear them – in one way or the other it means considerable publicity for our principles... We must answer [governments] by using every possible means at our disposal; getting workers into parliament is so much gaining over them, but we must choose the right men and watch out for the Tolains [i.e. careerist traitors]."<sup>71</sup>

The outbreak of the Franco-Prussian War, which heralded the end of the Second Empire in France and precipitated the Paris Commune of 1872, brought this work to a head. From the beginning of the International, Marx cautioned Engels that they had to be patient with this "mighty engine at our disposal": "It will take time before the revival of the movement allows the old boldness of language to be used."<sup>72</sup>

The Paris Commune definitively marked the end of that preparatory time. The Commune lasted from the 18 March to 28 May. Its crushing in the *semaine sanglante* (bloody week), in which between 10,000 and 30,000 Communards were killed or executed by the Versailles troops, led to 7,000 more being deported to New Caledonia in the Pacific and many thousands driven into exile. Marx's famous address drafted for the General Council, *The Civil War in France*, was accepted unanimously only days after the final crushing of the Commune. In it, Marx codified the political lessons of history's first experiment with the dictatorship of the proletariat. As well as listing

with approval all the positive measures the Commune took and praising their heroic military defence, the address also stated that the Communards should have gone further by expropriating the banks and launching a pre-emptive attack on Versailles.

The address also enabled Marx to elaborate further the form and tasks of the revolutionary workers' state, the impossibility of simply taking over bourgeois institutions for the rule of the working class. The standing army, the over-centralised state, the repressive machinery of the police, judiciary and bureaucracy were all swept aside and replaced by the direct democracy of the Commune. This was not, however, a case of Marx going over to Bakunin's federalist programme, as, for example, Daniel Guérin has argued, but something Marx had noted in his pamphlet, *The Eighteenth Brumaire of Louis Bonaparte*. The historical importance of the Commune was not lost on Marx: "It was essentially a working class government, the product of the struggle of the producing against the appropriating class, the political form at last discovered under which to work out the economical emancipation of labour."<sup>73</sup>

The storm that the address caused meant that the International was witch-hunted all over Europe. The English trade unionists George Odger and Benjamin Lucraft – despite having voted for Marx's declarations on the Commune in the General Council – buckled under the pressure and severed their ties with the International. In France, in the aftermath of the Commune, the International was outlawed. The French government for some time repeatedly pressed the British government to do likewise. Pressure from the British trade unions, including street demonstrations on behalf of the Communards in London, prevented this from happening. But the General Council desperately had to find funds to house and maintain thousands of Communist refugees, predominantly Blanquists, fleeing the triumphant reaction.

In Germany, August Bebel and Wilhelm Liebknecht, the leaders of the Social Democratic Workers Party, close friends of Marx and Engels and adherents of the International in Germany, were imprisoned for a two-year term in 1872 for their defence of the Commune and their antiwar speeches. In Belgium and almost every other country in Europe,

the International was hounded, its leaders arrested and often imprisoned. It was in the context of triumphant reaction in the main centres of the proletariat, the swing back to liberalism of the British trade unions and the advance of Bakuninism in the capitalistically backward centres (Spain and Italy) that Marx and Engels feared a takeover by the latter. They decided that they needed to preserve the programmatic and organisational legacy of the International against degeneration.

The fact that this might take some time is made clear in this letter from Engels to Bebel in 1873: "There are circumstances in which one must have the courage to sacrifice momentary success for more important things. Especially for a party like ours, whose ultimate success is so absolutely certain and which has developed so enormously in our own lifetimes and before our own eyes, momentary success is by no means always and absolutely necessary."<sup>74</sup>

Engels went on to outline how the Bakuninists would have gained from any compromise they would have been forced to make in order to preserve unity at The Hague: "The sectarians, especially the Bakuninists, would have got another year in which to perpetuate stupidities and infamies... because principles would have already been sacrificed". And this, for Marx and Engels, was precisely the importance of the International. It swept aside the sects, because it represented the increasingly mass forces of the working class. The political party of the working class had to represent the fusion of scientific socialism with the class struggle. If the momentary receding of the mass forces from class independence, i.e. a rupture between these two revolutionary forces had occurred, then patience and preservation of previous gains were the greatest virtues. Both Marx and Engels were confident that, after the period of reaction, they would be able to continue the work of the International on a firmer footing, with an overtly communist programme and the formation of mass parties in each country. Only Engels, of course, was to live to see this legacy continue to unfold after 1889 in the form of the Second International. Its ultimate justification is seen in the creation of the Third and the Fourth Internationals and indeed in the discussion of the need for a Fifth International today.



## ANARCHISTS AGAINST THE WORKERS

Anarchists naturally baulk at the Marxist critique that asserts that they represent the contradictory outlook of the petit-bourgeoisie – a class enraged at big capital, fearful of its economic and political centralisation, but looking backwards, for a return to small scale egalitarian, individual or at best cooperative production.

Despite anarchist protests at, a study of both Proudhon and Bakunin's programmes confirm this argument. Despite his various obfuscations, Bakunin clearly sought an alternative revolutionary class to the industrial proletariat. Sometimes he would revert to a form of Slav nationalism; at other times, as in Italy, he would seek out the brigands and déclassé intellectuals or youth from the privileged classes. What remained constant was a vision of the new society in which the attributes of individualistic peasant and artisan life became the basis of the new "socialism": the small, village-based commune.

His collectivism, directed at breaking down the social power of the big bourgeoisie, was always counterposed to the communism of the Marxists. This was rightly so, because he never advocated that the smallholder should be encouraged to abandon her/his small-scale production – despite being in favour of workers expropriating the big factories and running them as collectives. However, even in the case of the factories only the principles of a voluntary federalism could unite each unit with the rest of industry and society. Freedom from outside control or authority was far more important than the freedom for humanity to organise a nationwide and then a worldwide plan of production. In short, Bakunin wanted to freeze human social development and preserve it in an idealised collectivity of peasants and artisans, with large-scale industrial co-operatives too engaging in commodity exchange and political power decentralised to commune level to protect the small producer. Worse still, Bakunin – like anyone who tries to solve the great social problems of capitalism without basing themselves on the revolutionary strength of the proletariat to create its own state and government – envisages the most dictatorial power for secret conspirators.

Why then does anarchism persist? Why did it re-emerge in the 1880s and 1890s, in the 1920s, during the Spanish civil

war, during and after May 1968, and more recently in the anticapitalist movement? After all, Marx stated in the *Communist Manifesto* that: "Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other: bourgeoisie and proletariat."<sup>75</sup> This was, however, a tendency, not an unmitigated process. Countervailing tendencies would always ensure that the petit-bourgeoisie, in all its variegated forms, would continuously re-emerge.

Equally, the working class is a diverse class, including relatively affluent and super-exploited elements within its ranks. Moreover, the working class lives alongside other classes and comes under the influence of their political programmes and strategies. Hence the persistence of reformism, bourgeois politics, in the labour movement.

In periods of disenchantment and anger with the old reformist leaderships of the working class, anarchism can win wide forces, as it appears to be their very opposite; where the reformists argue for caution and the slow road, anarchists will frequently argue for outlandish, adventurist tactics. However, it then turns its energy to preventing the movement from growing into a movement of a class for itself, setting itself the conscious aim of seizing political power in order to abolish the classes and exploitation. For this reason, Lenin famously commented in *Left-Wing Communism* that "Anarchism was often a sort of punishment for the opportunist sins of the working class movement. Both monstrosities mutually supplemented each other."<sup>76</sup>

In this phase (as in the period up to the Hague congress) it often finds friends among the reformists. In the anticapitalist movement, it is just such an unholy alliance between the reformists of the Brazilian Workers Party (PT) and the French Socialist Party and anarcho-populist supporters of the Zapatistas that police the Porto Alegre Principles which make sure that the World Social Forum does not make majority decisions or become a coordinating centre of struggle. Political parties are not allowed to speak in their own name, or be held to account. These "libertarian" (read anarchist) practices are ideal cover for the reformists, like the PT and *Rifondazione Comunista*, who came to power on the back of the movement but, once there, carried out the wishes of the IMF and

imperialism.

Anarchism's rejection of politics at crucial moments makes it a plaything in the hands of wily liberal and reformist politicians. The holy fear anarchists have of the conquest of power by the working class, the dictatorship of the proletariat, often means they see reformism as the 'lesser evil' to the Marxist programme. Reformism, they argue, can provide a breathing space for anarchism's playing at insurrection and self-governing spaces. In this sense, anarchism always plays a disorganising role within the working class movement, and always, at the crucial moment, takes a reactionary position in the class struggle. Anarchists however have a choice, especially if they have roots in the working class; they can break from anarchism and join the front ranks of revolutionary communists.

It is their self-contradictory ideology that means anarchists can be won to revolutionary Marxism. This was partially realised in the final months of the struggle in the First International. On a larger scale the experience of the Russian revolution saw tens of thousands of anarchists go over to the Communist International. In the crucible of the Spanish Civil War, the Friends of Durutti took the opposite path to that of the anarchist CNT union leaders, and started to agitate for the formation of workers' councils as the basis for the dictatorship of the proletariat.

This article tries to hasten such an outcome by going to the roots of the methodological and political difference between Marxism and anarchism, as expressed in Bakunin's work. We have also shown how these differences played out concretely within the First International. We have shown that anarchism, at least insofar as Bakunin's writings are concerned, sees freedom as essentially an individual achievement. Of course, Bakunin sees such an achievement as being attainable only if all individuals are free. And of course anarchism wishes to encourage the formation of loose voluntary collectivities of individuals. But it remains an individualist concept, because it is not based on organising the working class so that it can take control of all the instruments of production and consciously plan the future of our species and the world. Such organisation as anarchists actually use for their actions are often, as was Bakunin's,



secretive and authoritarian. This is where, as Ann Robertson puts it, Marxism makes a paradigm shift in our understanding of freedom. No longer is it freedom defined of human being against other human beings but the freedom of human beings with each other. That is the freedom that organised political struggle, class struggle, the struggle for power, can achieve. All other idealised forms, the absolute freedom of the individual, are in the end, illusory.

## ENDNOTES

- 1 See *History of the First International*, GM Steklov 1928, pp13-46 for an account of this period
- 2 *ibid* p79
- 3 *ibid* p80
- 4 From Edmond Villetard's *History of the International*, 1872, quoted in Steklov *op cit*, pp93-94. See Steklov pp88-98 and *Marx and Engels*, August H Nimtz pp198-99 for a fuller account of the International's strike activity.
- 5 Steklov *op cit*, pp134-35
- 6 Aileen Kelly points out that Bakunin first called for the abolition of all states in a speech to the second congress of the League for Peace and Freedom in 1868: *Mikhail Bakunin*, A Kelly, Yale, 1982, pp179-80. However, it is likely that he first became converted to anarchism in Naples in 1865-67.
- 7 *Karl Marx's theory of revolution*, Hal Draper 1990, vol. 4 p130, Monthly Review Press
- 8 *Mikhail Bakunin: a study in the psychology and politics of utopianism*, Aileen Kelly 1987, Yale University Press
- 9 *Introduction to Karl Marx: the First International and after*, David Fernbach 1974, p44, Penguin Books
- 10 [www.marxists.org/reference/archive/bakunin/works/1842/reaction-germany.htm](http://www.marxists.org/reference/archive/bakunin/works/1842/reaction-germany.htm)
- 11 *Confession to Tsar Nicholas I*, Mikhail Bakunin 1851, <http://www.marxists.org/reference/archive/bakunin/works/1851/confession.htm>
- 12 Draper *op cit*, pp273-74
- 13 *No Gods no masters* volume 1, Daniel Guérin 1980, translated and published by AK Press, 1998, p132
- 14 <http://www.marxists.org/reference/archive/bakunin/works/1866/catechism.htm>
- 15 *ibid*
- 16 *ibid*
- 17 It is a sad truth that many of Bakunin's 'secret societies' were figments of his over-active imagination
- 18 *ibid*
- 19 *ibid*
- 20 *ibid*
- 21 <http://www.marxists.org/reference/archive/bakunin/bio/robertson-ann.htm>, first published in What Next, 2003
- 22 See, for example, the extensive material at <http://www.infoshop.org/faq/secH4.html>
- 23 *The Paris Commune and the idea of the state*, Bakunin, 1870, quoted in Guérin, p126
- 24 *God and State*, Bakunin, 1871, quoted in Robertson
- 25 *The German Ideology*, Marx and Engels Collected Works vol 5, pp 42-43 and pp 77-83.
- 26 <http://www.marxists.org/reference/archive/bakunin/bio/robertson-ann.htm>
- 27 *On the Jewish Question*, Marx, 1843, quoted in Robertson
- 28 *The Holy Family*, Marx, 1845, quoted in Robertson
- 29 *Statism and Anarchy*, Bakunin, 1873, quoted in *Karl Marx and the anarchists*, Paul Thomas, 1980 p297
- 30 Quoted in Thomas, p296
- 31 *ibid*.
- 32 *op. cit* Engels.
- 33 *Statism and anarchy*
- 34 Letter to Theodore Cuno, Engels 24 January 1872, quoted in Draper, p153
- 35 *Bakunin Statism and Anarchy* <http://www.marxists.org/reference/archive/bakunin/works/1873/statism-anarchy.htm>
- 36 *Conspectus of Bakunin's Statism and Anarchy*, Marx, 1874, published in *Karl Marx: the First International and after*, pp333-38
- 37 For example, James Joll, Paul Thomas, EH Carr
- 38 See *The civil war in France*: address to the General Council, Marx 1871 and other writings collected in *On the Paris Commune*, Marx and Engels, Progress Publishers, Moscow 1971
- 39 Bakuninists at work, Engels 1873, published in *Anarchism and anarcho-syndicalism*, Marx, Engels, Lenin, Progress Publishers, Moscow 1972 p130
- 40 *ibid* p145
- 41 *ibid*
- 42 *Inaugural address of the international Workingmen's Association*, Karl Marx 1864, published in *Karl Marx: the First International and after*, p81, Penguin Books
- 43 *On education*, Mikhail Bakunin 1869, published in *L'Égalité* <http://www.marxists.org/reference/archive/bakunin/works/1869/education.htm>
- 44 *Ibid*.
- 45 *Instructions for delegates to the Geneva congress*, Karl Marx 1866, published in *Karl Marx: the First International and after*, p89
- 46 *The Policy of the International Workingmen's Association*, Mikhail Bakunin 1869, published in *L'Égalité* <http://www.marxists.org/reference/archive/bakunin/works/1869/policy-iwma.htm>
- 47 The Manchester Foreign section, Engels 1872, published in *Marx and Engels on the trade unions* p86
- 48 *Resolution on working class political action*, Marx and Engels, 1871, published in *Karl Marx: the First International and after*, p268
- 49 Bakunin, quoted in Robertson, which contains an excellent section on the differences between Marx and Bakunin on the question of class consciousness
- 50 *The Alliance of Socialist Democracy and the International Working Men's Association*, Marx, Engels, Lafargue, 1873, published in *Anarchism and anarcho-syndicalism* p112
- 51 Instructions for the delegates of the provisional General Council, Marx, 1866, published in *Marx and Engels on the trade unions* p65
- 52 Letters to a Frenchman on the Present Crisis, Bakunin, 1870, <http://www.marxists.org/reference/archive/bakunin/works/1870/letter-frenchman.htm>
- 53 *ibid*
- 54 *ibid*
- 55 *ibid*
- 56 *ibid*
- 57 *Marxism, Freedom and the State*, Bakunin, 1870-72, <http://www.marxists.org/reference/archive/bakunin/works/mf-state/ch05.htm>
- 58 Letter to Nechaev Bakunin, 2 June 1870, quoted in Kelly. Kelly has had full access to Bakunin's archives, rare if not unique for someone, who is not a Bakuninist, and therefore extremely valuable, considering the extent to which much of his output has been suppressed.
- 59 *Program of the International Brotherhood*, Bakunin 1869, <http://www.marxists.org/reference/archive/bakunin/works/1869/program.htm>
- 60 *The Alliance of Socialist Democracy and the International Working Men's Association*, p520
- 61 See Kelly, p241; also recounted by Steklov
- 62 Quoted in Kelly, p234
- 63 Quoted in Draper, p285
- 64 <http://www.spunk.org/texts/places/russia/sp000116.txt>
- 65 *Catechism of a revolutionist*, Sergei Nechaev and Bakunin, 1870, <http://www.uoregon.edu/~kimball/Nqv.catechism.thm.htm>
- 66 Letter to Nechaev Bakunin, 2 June 1870, quoted in Kelly, p302
- 67 See Draper pp291-303
- 68 Letter to the Bologne Internationalists, Bakunin, quoted in Draper p296
- 69 Quoted in Nimtz, p201. Nimtz highlights this important work on pp199-202
- 70 Quoted in Nimtz, p204
- 71 Quoted in Nimtz, p227. Henri Tolain was an IWMA leader, who was elected to the legislature, but voted with the Versailles government against the Paris Commune.
- 72 Letter to Engels, Marx. Quoted in Nimtz p180
- 73 *The Civil War in France*, Marx, 1871, published in *On the Paris Commune*, p75
- 74 Quoted in Nimtz p232
- 75 *The Communist Manifesto*, Marx, 1848, published in *Karl Marx: Selected Writings*, ed. David McLellan, Oxford 1977 p222
- 76 V. I. Lenin: *Left-wing Communism', An Infantile Disorder*, in: *Selected Works*, Volume 10; London; 1946; p. 71



# Women's Liberation and the Russian Revolution

*Ninety years ago the Russian workers seized power. Natalie Sedley looks at how the women of the working class organised to fight for real freedom – and how we can do it again*

In the years before the revolution, women were a growing force within the Russian working class. Many employers recruited women in preference to men believing they would be more docile and easily exploited. They were to get a rude shock.

By 1914, women made up 40% of the industrial workforce. With the outbreak of war, this proportion swelled yet further. Their labour was highly concentrated – often up to 10,000 women in a single factory, working in truly dreadful conditions. These are described by Alexandra Kollontai, one of the most prominent women leaders in the Russian Social Democratic Labour Party (RSDLP),<sup>1</sup> in graphic terms:

“The life of Russia's six million proletarian women was ... one long round of hunger, deprivation and humiliation. The working day lasted twelve hours ... The women worked for starvation wages ... and they lived in overcrowded barracks. Neither the government nor society assisted them in times of illness, pregnancy or unemployment”.<sup>2</sup>

The textile and chemical factories saw women working in particularly dangerous conditions which threatened their health, especially during pregnancy. As in today's sweatshops, these women suffered constant physical and sexual harassment by their bosses and overseers. After hours of hard work, many women had to queue for hours to get meagre food rations.

At first it was difficult for revolutionaries to make real contact with these women, particularly given low literacy rates and their lack of any time for politics, given their long hours of work and domestic drudgery. However, drawing increasing numbers of women into the workforce was undoubtedly progressive.

As Lenin wrote in *The Development of Capitalism in Russia*, large scale industry

emancipated women by broadening their outlook, making them more cultured and independent, and helping to break the shackles of patriarchal life.<sup>3</sup> It represented a break from the old family where women spent their entire lives confined to housework. Once women joined the labour force they started to become aware of their exploitation by the capitalist and of their oppression and unequal rights as women. The economic and social deprivations these women suffered, compounded by the double burden of capitalist exploitation and domestic slavery, soon led to widespread militancy

## THE EARLY WOMEN'S MOVEMENT

Russia had long witnessed women's political activity amongst the rebellious intelligentsia. From the 1870s, Narodnik (populist) groups like the Tchaikovsky circle and anarchist-influenced student groups contained substantial numbers of women. Their activities centred at first on disseminating propaganda to the population, particularly the peasantry. This produced little response and when the movement reacted by adopting individual terrorist tactics in organisations like the famous Narodnaya Volya (the People's Will) heroic women like Sophia Perovskaya and Vera Figner played an active part in attacks on hated Tsarist officials. Perovskaya was executed in the wake of the successful assassination of Tsar Alexander II in 1881.

In the 1890s, the Russian industrial working class was coming into existence as a powerful social force. In its ranks were large numbers of women textile workers. Both in the late 1890s and in the revolution of 1905 there were numerous strikes, involving mainly female workforces, over pay and conditions, including the increased exploitation they suffered as women. These women workers were

not afraid to use sabotage and violent methods to achieve their aims.

In the 1905 revolution, which Lenin later called the “dress rehearsal” for 1917, women played an important role. Father Gapon's Union of Russian Factory Hands included up to 500 women members and many of them marched in the front ranks to the Tsar's palace on January 9, the day of the “Bloody Sunday” massacre. Among their demands they included equal voting rights for women.

The mass strike wave led to the formation of soviets, that is, workers' delegate councils. The very first of these was set up in Ivanovo-Voznesensk a textile factory town not far from Moscow. The workforce in these factories were overwhelmingly women though the delegates they elected were often men. Nevertheless, it was a largely female workforce that initiated the soviet as a new organ of struggle.

A general strike in October 1905 forced the Tsar to issue a Constitutional manifesto and allow a Duma (parliament) to be elected. Bourgeois liberals seized on the new legality the workers had won and a whole rash of new organisations emerged. These included the bourgeois feminist Union for Political Equality, which petitioned for equal voting rights for propertied men and women and attempted to build an all-class alliance on this basis.

## MARXISM VERSUS BOURGEOIS FEMINISM

It was crucial for Marxists to make every effort to organise the growing militancy. Kollontai was worried to see members of her own party joining bourgeois liberal organisations so she went along to them and defended the role and place of women workers. Her beliefs about the class nature of feminism were confirmed



when she was promptly banned from speaking to the bourgeois ladies.

She was correct to take such a critical stance, as Marxists have fundamental differences with feminism, above all, the view that all women, whatever their class, have a common interest in fighting their male oppressors. This led groups such as the League for Women's Equality and the Progressive Women's Party to promote harmony between female employers and employees on the basis that they were all women!

Clearly, this class collaborationism was anathema to Marxists, who emphasised how women workers suffered both oppression as women and exploitation as workers by the bourgeoisie. Equally, Marxists recognised that an essential part of fighting for this is combining economic demands (e.g. for higher wages) with democratic demands for all women (universal suffrage, divorce, etc.) as well as for the rights of women workers. But the inequality between classes made any long term solidarity impossible. As an American, Elisabeth Gurley Flynn, a leading organiser of Industrial Workers of the World argued at the first international women's conference in 1907:

"The queen in the parlour has no interest in common with the maid in the kitchen; the wife of the department store owner shows no sisterly concern for the 17 year old girl who finds prostitution the only door open...The sisterhood of women, like the brotherhood of man, is a hollow sham to labour."<sup>4</sup>

Therefore, for Marxists, the struggle for women's liberation<sup>5</sup> has to be seen in the context of the struggle to destroy class society itself. Kollontai recognised that the two could not be separated – working class women had to be organised within the labour movement, and the working class had to include calls for women's liberation in its demands.

These views were influenced by classical Marxism, particularly the writings of Frederick Engels, who explained how the beginnings of private property created the necessity for monogamous relationships, so that the eldest male heirs could 'safely' inherit their father's property. This created the need for the patriarchal family, which is still the root cause of women's oppression.<sup>5</sup>

In other words, there is an inseparable connection between women's social and human position, and private property,

under capitalism. Women will only be truly liberated through socialism, as a system where the whole of society takes on domestic responsibilities, relieving women of their semi-slave status within the family. The German Social Democrat leader, August Bebel, in his famous work *Woman and Socialism* (1879) wrote about the relationship between proletarian women and bourgeois women. His description of the latter as "enemy sisters" always causes a shock to feminists but few know its context.

"Still and all, to a much greater extent than the men divided by the class struggle, the enemy sisters have a number of points of contact enabling them to carry on a struggle in which they can strike together even though marching separately. This is the case above all where the question concerns equality of rights of women with men on the basis of the present-day political and social order."<sup>6</sup>

Thus, what Bebel argued was that socialist women must champion full and equal rights within capitalist society and, in that struggle, they should march together with militant bourgeois feminists. But nevertheless they must not for a minute trim their demands to what the bourgeois feminists will accept but fight for objectives which transcend the limits of what capitalism can give, since only thus can women be fully emancipated. Nor should they merge their organisations with those of the "enemy sisters" but maintain complete class independence and unity with working class men.

## A WORKING CLASS WOMEN'S MOVEMENT

The German socialist, Clara Zetkin, developed these positions further and fought to establish them as the official positions of the German Social Democratic Party (SPD) and the Second International (1889-1914). Meeting Zetkin in 1906 further inspired Kollontai to build a mass working class women's organisation in Russia. This could counteract the spread of bourgeois feminist ideas among Mensheviks, Socialist Revolutionaries (populists) and even some Bolsheviks, and spread socialist ideas among women.

Initially, Kollontai received little support from the party in pursuing these aims, not least because the party was splitting finally into its Bolshevik and Menshevik wings. Kollontai remained

with the Mensheviks until 1914. Like Trotsky, in this period, she wanted to keep the two wings of the party together and condemned the Bolsheviks as splitters and sectarians. She pressed on, setting up the club "Society of Working Women's Mutual Aid" which organised lectures, discussions, meetings and summer camps. Both men and women could join but the leading positions were reserved for women. The group also encouraged working class women to join the trade unions and RSDLP.

Having built up this movement, in 1908 Kollontai organised a Social Democrat intervention into the All-Russian Women's Congress organised by feminists, aiming to spread socialist propaganda and, crucially, to clarify differences with feminist ideologies. The intervention stressed universal suffrage for all women, whether propertied or not, and also made it clear that the right to vote was merely a means to an end. It also emphasised labour legislation and maternity protection, and the importance of working class women organising separately from their bourgeois "sisters". Not surprisingly, the bourgeois feminists completely rejected the need to struggle against private property. This confirmed the impossibility of uniting working class women with them in a single organisation. Later that year, Kollontai escaped arrest and went into exile.

In 1910 – 1914 two leading Bolshevik women, Inessa Armand and Nadezhda Krupskaya, became increasingly interested in the question of organising women. Consequently, from 1912, the Bolsheviks, too, significantly increased their work directed towards Russian working class women.

## WOMEN AND THE RSDLP

International Working Class Women's Day was originally declared in 1908 by socialist women in the US, and became a truly international event from 1910. It was taken up in Russia from 1913, when the Bolsheviks published a special issue of their daily newspaper, *Pravda*, to celebrate the day. This exposed the reality of life for working class women in Russia and the need to organise them alongside working class men. The response from women was huge, so many letters were sent in that there was not enough room in the paper to print them all.

Following this success, another female



Bolshevik Konkordia Samoilova urged Lenin and his wife Krupskaya to produce a special paper entitled Rabonitsa, "The Woman Worker", directed at working class women. They eventually agreed to launch it for International Women's Day in 1914, and managed to publish seven issues before the outbreak of war. The paper was hugely popular among factory women, it sold out quickly, and copies were shared around and read out. The first issue contained an editorial summarising the woman question as "a question of how to organise the backward masses of working women...how to make them comrades sooner in the common struggle".

While it highlighted this important point, it was weaker on women's specific demands and interests. Kollontai recognised that other important issues existed, such as protective legislation for mothers and children, equal wage rates for young people's and women's, and reforms affecting the household, but this did not really improve until after she joined the Bolsheviks. She was later to write detailed and moving accounts of the condition of Russian women workers. For example, "Working Woman and Mother" exposes the bourgeoisie's hypocrisy in "valuing motherhood", while forcing working class women to keep up with hard and often dangerous labour right up until birth. She demanded reforms like maternity leave and insurance, and made it clear that the only viable alternative was the socialisation of childcare.

In the pamphlet "Women workers struggle for their rights", Kollontai also argued that the combination of women's specific oppression and the backwardness of the workers' movement made it necessary for the party to organise special work amongst women, such as propaganda, meetings and educational activities. This needed to be led by a separate bureau of the party dedicated to the task of recruiting women workers. She recognised the need for women to pressure the party into taking up their demands, and the facts bore this out, for example, there was opposition from within the party to the publication of Rabonitsa. Kollontai's position was weakened because, at this point, she belonged to neither the Bolshevik nor Menshevik faction. She was therefore isolated from both leaderships and unable to convince either faction of the need for a special party structure.

## WORLD WAR ONE

The outbreak of war in 1914 stopped most political work in Russia, including Rabonitsa. The response of much of the left was a crushing blow for the workers' movement across Europe. There was a surge of social chauvinism across the continent as the imperialist slaughter began, many of the parties of the Second International, apart from crucial sections of the RSDLP rallied to the imperialists' side. The class struggle was demobilised by the second international leaders in order to support their own capitalists' war effort.

The issue of women's emancipation was dropped. Bourgeois feminists like Emmeline and Christabel Pankhurst in Britain became ferocious patriots working for the war effort. On the other hand, Sylvia Pankhurst, who had had broken from her mother and sisters organisation, the Women's Social and Political Union, before the war to work amongst working class women in London's East End, came out against the war. After 1914, she changed the name of her newspaper from the Women's Dreadnought to the Workers' Dreadnought.

In March 1915, Kollontai, Zetkin and Inessa Armand called an international women's meeting in order to break from the social chauvinist majority of the Second International. Like many left social democrats, their slogans stopped short at the call for an end to the war. They could not accept Lenin's position that, in a situation of imperialist war, revolutionaries must call for the defeat of their "own" government. The Bolsheviks however stuck to their views and this principled stance eventually won over Kollontai who finally joined them in June 1915.

The imperialist war drew even greater numbers of women into the workforce; strikes and food riots by women desperate to feed themselves and their children became increasingly common in 1916.

## WOMEN'S ROLE IN 1917

The catalyst for the February revolution was the events of International Working Women's Day, the 23rd February in the calendar used in Russia at the time. Beforehand, all socialist organisations argued against a strike, as they believed the working class had inadequate political preparation and contact with soldiers. The women workers proved them wrong. Thousands of women marched to the fac-

tories and encouraged male and female workers to join them. This was incredibly effective, by 10am, 27,000 workers were on strike shutting ten factories; by mid-day this had increased to 50,000 strikers with 21 factories shut. Women queuing for bread joined the striking workers in protest.

In the next few days, the number of striking workers increased steadily. On the other side of the barricades it was a ruling class woman, the Tsarina Alexandra, who repeatedly urged her husband to use the most harsh repression against the demonstrators. The government duly sent in the mounted police and Cossacks to disperse protests. But this was not 1905. There was to be no Bloody Sunday. Demonstrators won over military units and eventually whole regiments and the majority of soldiers to their side.

Women had a front line role in this, as Trotsky recounts: "They go up to the cordons more boldly than men, take hold of the rifles, beseech, almost command: 'Put down your bayonets - join us!'"

This militancy combined with the huge contradictions of Russian society, with its strong, concentrated urban working class and vast, incredibly poor and land-starved peasantry. As a result, within a few days the Tsarist regime had fallen and a whole period of revolution was opened up.

Throughout the rest of that revolutionary year women continued to be in the forefront of struggles. In fact, the first strike against the new Provisional Government was organised by 3,000 women laundry workers striking for an eight-hour day, living wages and the municipalisation of laundries. The latter demand is important as it reflects a rise in political consciousness, the workers did not limit themselves to immediate economic demands. Likewise, demands for equal political rights including suffrage continued to be a key concern.

Despite this politicisation, women were not always in the vanguard in the course of the year. The majority were very new to politics and the labour movement, which had contradictory results; on one hand, they were much less affected by the conservatism that often holds back established trade unions but, on the other, they were also susceptible to anti-working class propaganda. This meant that not long after the February revolution, the

**The first strike against the Provisional Government was organised by 3,000 women laundry workers striking for an eight-hour day**



bourgeois feminists were able to rally thousands of working class women to demonstrate for a continuation of the war.

## HOW THE STRUGGLE HELPED TO LIBERATE WOMEN

However, the Bolsheviks made special efforts in response to women's militancy in February 1917. They set up a Women's Bureau, led by Vera Slutskaya, which relaunched the *Rabonitsa* paper, and held events including an antiwar rally of over 10,000 people, as well as regular meetings in factories and on the streets. Their activities also addressed issues of particular importance to women, including allowances for soldiers' wives and women's working conditions. Kollontai again intervened into feminists' events, having to force a platform for herself and facing verbal and physical attacks. She argued for women to participate in the Soviets, instead of in Kerensky's Provisional Government as the feminists and Mensheviks proposed.

Militant female Bolsheviks also fought for the party to call a Congress for all women workers to discuss how best to involve and organise women in revolutionary struggles. Additionally, Kollontai fought for the establishment of special sections of the party for women; which was often put into practice at a local level. (It was not until 1919 that the Zhenotdel or Women's Section was officially formed as a network of women's sections at all levels.) Despite these calls it is important to remember that Kollontai was not a separatist – she did not argue for a women-only movement independent from the working class and its party.

By mid-1917, these special organisational and propaganda methods allowed the Bolsheviks to develop a mass base among women, thus winning many back to an antiwar position and into the communist movement. In October, they launched the first successful workers' revolution, and all state power was passed into the hands of the Soviets.

## WOMEN'S SITUATION AFTER THE REVOLUTION

In a very short time frame, rights were granted to women that were unimaginable at the time in the capitalist "democracies". After just six weeks, civil mar-

riage was introduced; a year later the new civil code on marriage established equal legal status between husband and wife. Following from this, the distinction between legitimate and illegitimate children was abolished so that all children became entitled to parental support. Divorce procedures were made much easier, as the concept of mutual agreement was made their basis. Women were granted the right to participate in social and political activity in the workforce, and women workers were involved in the direct management and control of production of goods and services through the Soviets.

One highly advanced reform was the legalisation of abortion in 1920. The provision of a free, on-demand abortion service put the USSR ahead of any other country at the time, indeed, ahead of many European countries today. However, the actual reason for this reform was not so much the freeing of women's sexuality and giving them the right to choose as the limited ability of a society torn apart by civil war to provide for children.

In fact, Kollontai saw abortion as a social ill and was critical of women who terminated pregnancies because they had other priorities than having children. She believed the need for abortion would disappear when the country's economic problems were solved and when women understood that childcare was a social obligation. This shows that while the Bolsheviks were highly progressive for their time, there have certainly been further advances since their time in understanding women's rights, particularly the right to choose.

Another priority area for the Bolsheviks was childcare, and on 31st January 1918, all child welfare organisations were merged into the Department for Protection of Maternity & Childhood. This body created a fixed 16-week leave period before and after birth, prevented pregnant women carrying out heavy work or night shifts, and forbade employers from sacking pregnant women. It immediately tried to cover the country with a network of institutions to protect motherhood and social upbringing, such as consultation centres for pregnant and nursing mothers. Only six of these centres existed in Tsarist times; by 1921 there were around 200. They also created "maternity homes" for single women allowing them to get away from home, family and domestic

chores at the time of birth.

In rural regions, creches were opened to allow peasant women to work in the fields. However, shortages in resources made it difficult to extend the full range of services to the countryside. In general, the Department was prevented from fully realising its aims, partly because of widespread poverty and the devastation of the economy. Another factor was the difficulty of convincing a population that was still heavily influenced by backward ideas to accept the reforms.

However Kollontai, writing in 1921 in "The Labour of Women in the Evolution of the Economy" showed that strong foundations at least had been made by the Soviet republic. The commitment to the socialisation of childcare is reflected in the statement that "A labour state establishes a completely new principle: care of the younger generation is not a private family affair, but a social state concern". The services were not about patronising philanthropy, but the recognition that it was a responsibility of the state to help with young. Safety nets were also aimed at creating "a situation where a woman does not have to cling to a man she has grown to loathe only because she has nowhere else to go with her children."

Providing childcare was linked to the view that participating in social production was essential; if women were to be in a position to fight for working class rights, they must not expend all their energy on the family. So women came to be seen as, first and foremost, members of the labour force, while maternity was an important but supplementary function.

## WOMEN AND THE CIVIL WAR

A pamphlet addressed to women was published in 1920, encouraging them to support the Red Army in every possible way, including at the front. An account of women's involvement is given by Richard Stites in *The Women's Liberation Movement in Russia*, who explains that during the civil war women carried out every task, fought on every front and with every weapon.<sup>8</sup> They also carried out extremely important political work; Kollontai herself had a train for political agitation and education that explained what the Red Army was fighting for. Ease of promotion and frequency of transfer over long distances meant

**Special organisations allowed the Bolsheviks to develop a mass base among women, winning many to an anti-war position and into the communist movement**



that Russian women had much greater social and geographical mobility than women anywhere else in the world.

## THE SPREAD OF THE WOMEN'S LIBERATION MOVEMENT

This had an important effect, particularly on women from the most backward, underdeveloped regions. In 1921, at the first pan-Russian conference of female communist militants, the "Eastern Women" greeted the conference with words "We were born as slaves and used to die as slaves" and went on to talk about how they had heard, late, about the revolution which changed women's lives. In making contact with the outside world, they had to fight against repression from the mullahs and their husbands, fathers and brothers. Now that their confidence had been won over by comrades from Soviet Russia, they were following their examples and teaching other women to liberate themselves. This is hugely significant, as Lenin often emphasised the need to draw the most backward women into the work of ruling the country and, as Krupskaya wrote, "warmly greeted the awakening of the women of the Soviet East."<sup>9</sup>

However, as Lenin predicted, this process could not happen entirely overnight. Some women continued to be hostile to the proletarian dictatorship, fearing that it would break up the family, separate them from their children and destroy the church. This combined with the factors of civil war, famine, and the re-introduction of market forces in the NEP, to create problems in putting the programme for women's liberation into practice. Lenin spoke of the need for active liberation of Russian women "not only in law, but in life as well",<sup>10</sup> a clear recognition that this was a process which needed to continue after workers took power.

Trotsky in his work *The Revolution Betrayed* (1936) described the ideals which the young Soviet state tried to achieve, "The revolution made a heroic effort to destroy the so-called 'family hearth' – that archaic, stuffy and stagnant institution in which the woman of the toiling classes performs galley labor from childhood to death. The place of the family as a shut-in petty enterprise was to be occupied, according to the plans, by a finished system of social care and accommodation: maternity houses,

crèches, kindergartens, schools, social dining rooms, social laundries, first-aid stations, hospitals, sanatoria, athletic organizations, moving-picture theaters, etc. The complete absorption of the housekeeping functions of the family by institutions of the socialist society, uniting all generations in solidarity and mutual aid, was to bring to woman, and thereby to the loving couple, a real liberation from the thousand-year-old fetters."<sup>11</sup>

Unfortunately, this process was stopped in its tracks under Stalin's rule. Social conservatism combined with a rapid industrialisation programme and led to an ideology that was increasingly based on "family responsibility". This is reflected in the abolition of abortion in 1936, as women were strongly encouraged to reproduce and be part of the traditional family unit. Trotsky commented from exile that this was a "thrice shameful law" pointing out that the Soviet state had intended "to remove the cause which impels woman to abortion, and not force her into the 'joys of motherhood' with the help of a foul police interference in what is to every woman the most intimate sphere of life".

Stalin unleashed what Trotsky called "the triumphal rehabilitation of the family". Women were told to accept the double burden of worker and mother for the sake of the socialist fatherland (sic), but in reality as a cheap alternative to childcare paid for by the state. A decade and a half of concerted work to liberate Russian women was in large measure brutally undone by the reactionary bureaucratic caste.

## LESSONS FOR TODAY

In developing a strategy for women's liberation today, we need to re-assert the Marxist positions developed by the Russian and German revolutionary working class women's movement, against the betrayals of Stalinism and Social Democracy. Despite historic gains since the Bolsheviks' time, and particularly since the 1960s, women continue to be oppressed within the workforce and society. In fact, the dual burden of work and childcare intensifies as globalisation draws ever more women into the workforce while neoliberal policies mean further cuts in childcare, health and community services. Capitalism cannot wrestle with its insoluble contradiction, how to increasingly exploit women in the

workplace and continue to oppress them in the family.

Those that have most to gain from the revolution are likely to be its most militant and valuable fighters. However, the daily pressure of work and domestic labour, occupying all her free time, can also undermine solidarity and confidence. It can and does exclude many women from social life in particular and political activity in particular. Revolutionaries must follow the example of the Bolsheviks and make stronger and stronger efforts to attract and recruit women. The Bolsheviks' success in 1917 shows the importance of dedicated efforts to organise women, without which many more might have joined the feminists and Mensheviks, and therefore become a reactionary factor instead of a revolutionary one. Likewise today, if we do not take these issues seriously, the leadership of women's movements will be left to reformists and feminists. Instead, we need to organise women in a mass working class women's movement, not separate from, but rooted in, the mass working class organisations, which together can fight to overthrow the root of women's oppression, class society, and lay the basis for women to be truly liberated.

## ENDNOTES

1 The party that was later to split into two factions, the Bolsheviks and Mensheviks, both wings evolved in radically different directions and by 1917 most of the Mensheviks crossed class lines and had supported the first world war.

2 Kollontai, *Towards a History of the Working Class Women's Movement*, 1920

3 Lenin, 1908

4 Elisabeth Gurley, writing in the *Solidarity* magazine, 1915

5 Engels, *The Origin of the Family, Private Property and the State*, 1884

6 Cited in *Marxist Women and Bourgeois Feminism* by Hal Draper and Ann G Lipow, *Socialist Register* 1976

7 Trotsky, *History of the Russian Revolution*, 1930

8 Stites, 1978

9 Krupskaya, preface to *The Emancipation of Women*, 1933

10 Lenin, *To The Working Women*, 1920

11 Trotsky *The Revolution Betrayed* 1936



# An immaterial analysis of women's oppression

Joy Macready reviews *Material girls: Women, men and work*, Lindsey German

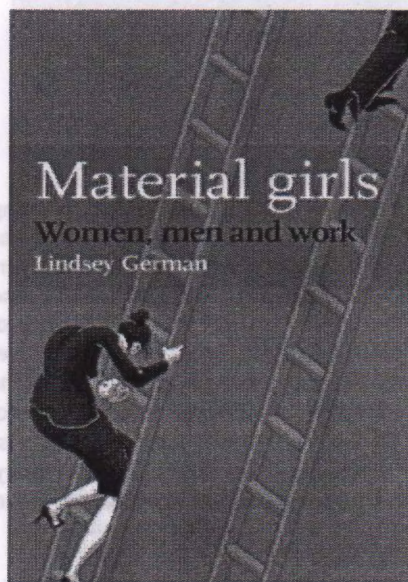
In *Material girls: Women, men and work*, Lindsey German, a member of the Central Committee of the Socialist Workers Party, describes the profound changes in the lives of women, predominantly in Britain, over the last 100 years. She sets out in some detail the shift in attitudes towards gender and sexuality; changes in the family structure and the role of the nuclear family in reinforcing the status quo; the increase in the number of women in wage labour; improvements to women's education; and advances in technology, which have reduced the scale of household drudgery.

She identifies these changes as a result both of a capitalist agenda to draw more women into the workforce, and of women themselves organising and fighting for change, for example, in the first feminist movement which fought for the vote and legal rights, in the Russian revolution of 1917, in the fight for abortion rights, and in other struggles of the 1960s and 1970s.

German also examines the contradictions that limit women's emancipation within capitalism: the commodification of sexuality and women's bodies; the increasing gender gap in pay; the prevalence of rape and domestic violence; the continuation of the double burden of women at work and in the home. She records too the rampant double standards, by which politicians and media pundits promote involvement of women in the workforce, yet at the same time blame working mothers for unravelling the social fabric.

The book is well researched, with statistics and explanations that show both the changes and the fundamental continuities, but its weakness comes when it moves on to outline a strategy for how to combat and overcome women's oppression. Here the economism that characterises the SWP's method comes into view.

For example, when German explores the relation between working class women and men, she refuses to acknowledge the privileges that working class men derive from the capitalist oppression of women. Attempting to rebut feminism by denying that there is any material basis to male



workers' sexism means she cannot develop the strategy, tactics and organisational means to overcome it: to create class unity on a higher, revolutionary level.

Neither does she explore the double oppression of women migrants: the racism they experience and the patriarchal oppression within the family and religious institutions. Thus, apart from her undoubted commitment to defending Muslim women against persecution for wearing the hijab or the niqab, her account fails to address these issues. In modern Britain this is a great weakness.

## ECONOMISM

These problems flow back to the economist and tailist politics of the SWP. They start from the one-sided and inadequate belief that the trade union struggle is the real class struggle. Yet as Lenin pointed out, the economic struggle is not yet the struggle of an entire class. It has to become a political struggle, which relates to the state and its attacks not only on workers, but also on women, youth and racial minorities. This requires a class wide response and therefore, if it is to develop, a political leadership, a party.

Of course the SWP recognises that the employers and the media use all differences of race, gender, skill, immigrant status to

divide workers. The SWP wishes to overcome these but sets out to do so by minimising the material basis for these. It fears, for example, that, if you admitted that British or American workers received any material benefit from their country's imperialist status, this would somehow "justify" social chauvinism. They reject the idea that reformism has its material roots in the privileged position of the skilled workers, the labour aristocracy and the union bureaucracy that rests on this layer. Likewise, they believe that recognising the material basis for men's sexism leads to the reinforcement of these divisions. Instead they insist these backward ideas are just that, bad ideas, introduced by capitalist propaganda to poison workers' consciousness.

But working class organisations, particularly trade unions and reformist parties, do not automatically or spontaneously oppose to women's oppression. Neither do they spontaneously become socialist. It requires a conscious struggle by a revolutionary party to fight sexism, racism, and reformism. The problem is that the SWP sees socialist consciousness as stemming purely from ever broader struggles, and not as a result of the fight for communist leadership. They replace class-consciousness with confidence. If only workers are confident enough, they will broaden and generalise their struggles.

This is tailism: following the consciousness of the working class rather than giving it a lead. For Leninists, fighting to win the vanguard of the working class to a programme for the conquest of political power through a series of intermediate objectives and the organisations and methods of struggle to achieve them is central. This includes a remorseless struggle first within the vanguard against sexism, racism, etc. and then a struggle by the vanguard amongst the broad masses for the same objectives.

The question, "Do working class men benefit from women's oppression?" must be answered dialectically. In an immediate and very limited sense the answer is yes. They benefit from unloading most of the





shopping, cooking, cleaning and childcare onto their partner's shoulders. They benefit from higher wages, from higher social esteem, and the tendency to submit to their priorities that women have to fight so hard against. As Frederick Engels described it in *The Origins of the Family Private Property and the State*:

"The modern individual family is founded on the open or concealed domestic slavery of the wife, and modern society is a mass composed of these individual families as its molecules. Within the family he is the bourgeois and the wife represents the proletariat."

Thus working class men do benefit from the oppression of women, not because they are the originating cause of women's oppression, or because they collaborate with the bourgeoisie to keep women down, but by the very fact that they themselves are not oppressed as a result of their gender. The institution of the family is of greater material benefit to men, however marginally in some cases, than it is to women.

Nevertheless this truth, which we have to recognise in order to fight it, remains one-sided and false; the oppression of women also holds the male worker down. This can be seen both in the labour market and in the home.

Employers take on women workers to undercut male wages hoping that women's atomisation in the home, lack of experience of union solidarity, and submission to male authority learned in patriarchal families will make them more pliant. They do the same with poor and desperate migrants. The answer of course is not to exclude women from the workforce (as some unions tried to do for over a century) or exclude migrants through immigration controls (again, as many unions have supported) but to organise all new recruits and fight for their equal rights, wages and conditions.

The consolation for being a (wage) slave at work but the "master in the house" like-

wise hampers the male workers' fighting spirit. The inequality and misery of the woman undermines the quality of the personal relationship, leading to conflict and breakdown. Looked at from the point of view of whether women's oppression benefits the male worker's capacity to resist the capitalists, the answer is a decisive no. Working class men do not benefit as a class from women's oppression. On the contrary, it weakens and divides our class as a whole.

### PATRIARCHY

This method also leaves German unable to offer a clear alternative to one of the main arguments of the middle class feminists: that patriarchy – or male dominance – is the source of women's oppression. German writes: "feminist theory, correctly in my view, locates women's oppression in the existence of the sexual division of labour, the role of the family and the separation of home and work, but it had two crucial weaknesses. It could not integrate the theory of women's liberation with an understanding of class. Partly because of this it also often failed to deal with the concrete reality of women's lives."

But not all feminists rejected the importance of class: "socialist feminists" in particular tried to relate women's liberation and the working class movement. The problem was that feminism had a different analysis of the origin of women's oppression and the agency for its eradication. German does not clearly identify the link between feminism's analysis of women's oppression as caused by patriarchy and its argument that the instrument for overcoming it must therefore be an all-class alliance of women.

By contrast, the Marxist understanding of women's oppression is that it is rooted in the emergence of class society and the struggle to liberate women is intrinsically bound up with the struggle against capitalism. Both have to be waged by the working class, female and male. In sharp contrast, radical

feminists, because they saw all men as their oppressors, naturally ruled out men playing any role in the emancipation of women. The socialist feminists generally saw the family, rather than patriarchy, as the root of women's oppression. Thus they saw the socialisation of housework, and working class women's struggles for equal pay and rights at work as central to ending this.

But on the question of the central instrument for conducting this struggle – that it had to be an independent working class party – they nearly all rejected Marxism. Instead they accepted a key tenet of feminism: the idea that an all-class women's movement was the main instrument for women's liberation. Some conceded that a revolutionary party, made up of male and female workers, was needed eventually to overthrow capitalism, but in the here and now they demanded the autonomy of the all-class women's movement from any revolutionary organisation. Their hostility to democratic centralism went so far as to demanding that women from Leninist organisations be excluded. Meanwhile the women's liberation conferences and their local equivalents broke up in bitter recriminations between radical and socialist feminists.

What was the answer to this dilemma? Workers Power in the late 1970s argued (as we still do today) for a mass working class women's movement, rooted in workplaces and communities. We argued that communists should build such a movement and seek to win its to a revolutionary action programme for women's liberation and socialism.

In this period a sharp debate took place within the SWP. It and its predecessor, the International Socialists, organised amongst working class women with a special paper, *Women's Voice*, and set up local groups around it. Within these groups some socialist feminists became critical of the IS/SWP, often for good reasons. They criticised the party for its economism and its tendency to ignore important questions the feminists raised. A genuine revolutionary leadership would have accepted valid criticisms and argued frankly and directly against criticism it did not accept.

However Tony Cliff, historical leader of the SWP, instead shut down *Women's Voice* with the aid of Lindsey German. They lost a number of women activists in the process. The SWP thereafter abandoned all ideas of a working class



women's organisation or even any special work amongst women. This was particularly negative during the Great Miners' Strike of 1984-85, with the development of Women Against Pit Closures. Lindsey German only briefly mentions this, in the same breath as the Greenham Common women, almost dismissively saying that they failed. The SWP's own role in the "second wave of feminism" is airbrushed out of German's account.

## MIGRANT WOMEN

The final problem is that, except in a small sub-section in one of the later chapters, German gives little attention to ethnic minority women's triple burden: exploitation, sexism, and racism. It is odd, for example, that German omits to mention the Gate Gourmet strike at Heathrow in August 2005, which illustrated a new type of attack on mostly Asian women workers, to rip up their permanent contracts and casualise their working conditions, and to link this to struggles against neoliberal attacks across the developing countries. This experience should be highlighted and explored, but again it comes back to the SWP's political weakness: fear of drawing attention to differences, which can and do divide the working class, and require a conscious struggle against prevailing ideas.

In relating migrant and ethnic minority women's oppression, German limits her analysis to Muslim women – an important form of oppression to expose but not the only experience – and a polemic against the bourgeois feminists, criticising their opposition to the hijab, niqab or burqa. German does not challenge all religions as oppressive to women, but starts from the position that Islam is not inherently oppressive to women. She downplays the deep roots of the patriarchal family within societies with powerful pre-capitalist elements, because she is trying to distinguish her argument from the feminists. Yet she ends up failing to systematically oppose all forms of women's oppression through religion.

German says: "The hijab or any other form of clothing should not be seen as inherently repressive, and Western politicians and feminists should stop telling Muslim women what not to wear. We should oppose the forced covering of women that takes place in countries such as Iran or Saudi Arabia (or the UK? [author's italics]). It is not the business of state or religion to make women wear

particular clothes. We should also oppose the prejudice and discrimination that are demanding women to take off their veils or scarves. Women themselves have the right to choose what they wear and when they wear it."

Of course we must oppose all state restriction on the wearing of the hijab, just as we oppose all laws that require women to wear it. Socialists must also fight for the right of women not to be forced to wear the hijab by their parents or their brothers, or be forced into marriage, or suffer brutal treatment if they have sex before marriage. German is right that it is not the business of state or religion to make women behave in a certain way – but socialists should support women exercising their choice to dress as they like, to have sex with whoever they wish to, to have an abortion if need be, even when this means rebelling against their family. This is not a "private matter" for the family or the "community". Socialists have a duty to speak up on these issues and should not fall silent for fear of being accused of racism or Islamophobia. To do so would be to abandon the most oppressed sections of these communities and adapt to the most privileged sections: the religious leaders and businessmen.

## CHARTER OF RIGHTS OR ACTION PROGRAMME

The last chapter is about "how to change"; German outlines ten demands that she refers to as "a charter for working women", and argues could form the basis of new campaigns and movements. She insists that they are all "achievable", and "would, if won, redress the balance of women's lives but would also mean a redistribution of wealth and power away from those who hold them at present and an opening up of the possibilities of women's liberation".

They are all couched in terms of "rights": for equal pay, sexual self-determination and control of our own bodies; against violence and sexual harassment, etc. They are however expressed in very vague terms, for example the "right to control our own bodies" misses out the phrase "right to free abortion and contraception on demand". We know that, in defending the evasive policy of the Respect coalition on this question, German has described this demand as a shibboleth, so one has the right to suspect that this vagueness is to attract people, who do not defend a woman's right to terminate a pregnancy. In fact such vague agreements will break apart under the pressures of struggle.

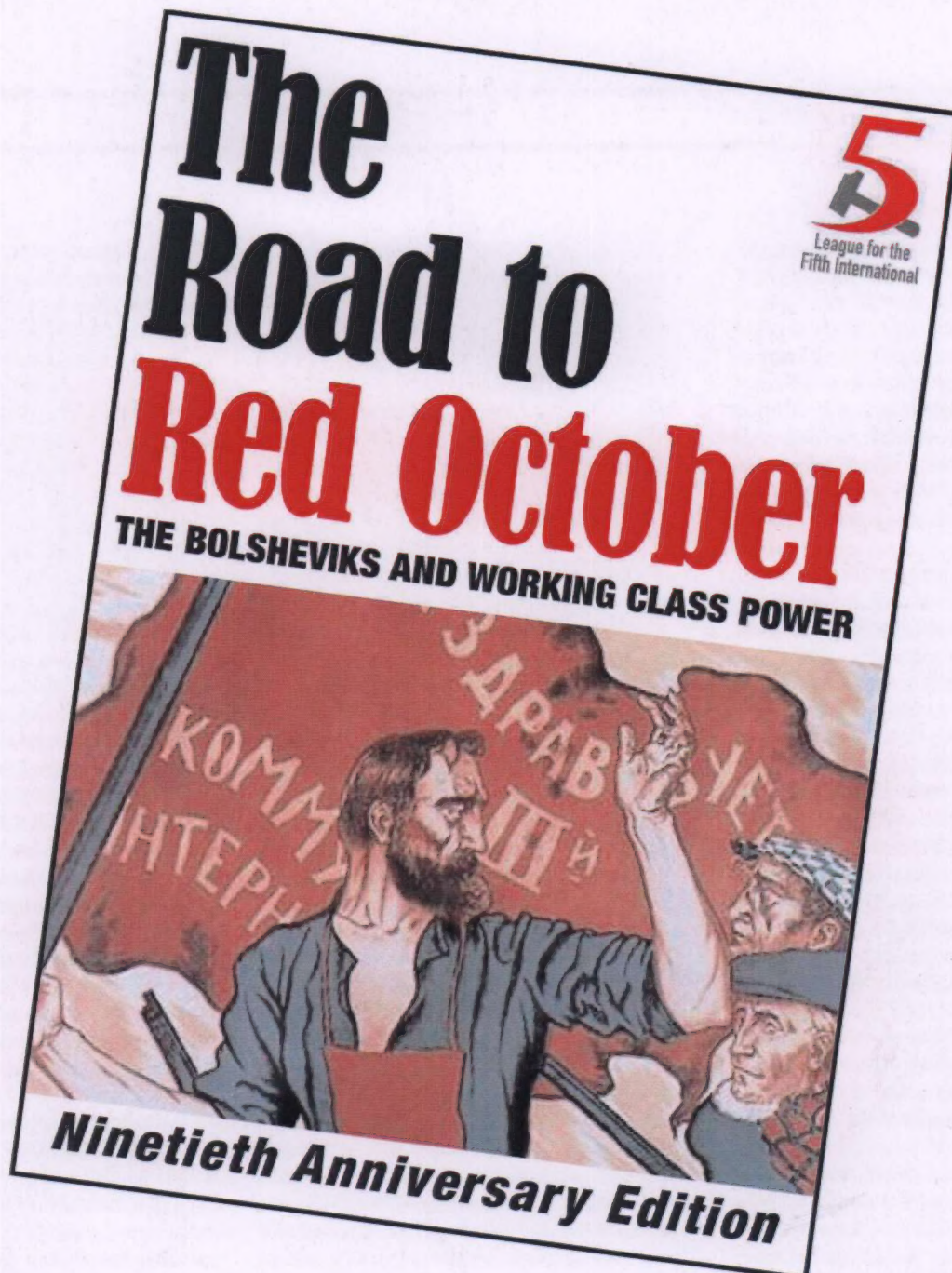
Finally German speaks about the need for a socialist revolution to really liberate women, but there is no indication of how we are going to get from here to there. German does not advance a revolutionary strategy, uniting the fight for women's liberation with the struggle to overthrow capitalism. Instead she sets out a series of rights, with no proposed forms of organisation or struggle to achieve them, and then tells us that we need socialism. There is no connection between the two. This approach, the failed method of the "minimum-maximum" programme, in effect relegates the social revolution to abstract propaganda, and orients all practical activity around the struggle for reforms.

We believe that we must build an international working class women's movement. Not one that is separated from the global working class movement but aiming to organise women of our class and the most exploited and oppressed of other classes. It must highlight the specific oppression of women within the working class and draw both men and women into struggle against women's oppression – and also against racism, nationalism, youth oppression and any division that threatens the unity of the working class.

We also need to fight women's oppression within the workers' movement: in the unions, the political parties, even in those that call themselves Marxist and revolutionary, even in our own organisation. For this reason we believe that women members must have the right to meet together, i.e. in a caucus to help the organisation as a whole to overcome the pressure of social oppression, and to expose any examples of this oppression and fight for their eradication.

The purpose of both the organisation of a mass working class women's movement and caucuses in unions and parties is not in any way to entrench separation between the sexes. It is to greatly increase the numbers and participation of women class fighters in one common effort. With the expropriation of the capitalist class and the creation of a planned economy, it will be possible to socialise domestic labour and childcare, with men and women playing an equal role. Thus women's oppression will be uprooted and we will be free at last. Without the mass involvement of women there can be no such revolution. With it we will be invincible.





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